

# vanke

## CHINA VANKE CO., LTD.\*

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

(Stock code: 2202)

INTERIM REPORT

# 2019



\*For identification purpose only

### Important Notice:

1. The board of directors (the “**Board**”), the supervisory committee and the directors, supervisors and senior management of the Company warrant that the information contained in the interim report for 2019 (the “**Report**” or the “**Interim Report**”) does not contain any misrepresentation, misleading statement or material omission, and they jointly and severally accept responsibility for the truthfulness, accuracy and completeness of its contents.
2. The Report was considered and approved at the 22nd meeting of the eighteenth session of the Board (the “**Meeting**”) held on 20 August 2019. Mr. LIN Maode, the vice chairman of the Board and a non-executive director of the Company, did not attend the Meeting due to business engagement and had authorized Mr. CHEN Xianjun, a non-executive director of the Company to attend the Meeting and execute voting rights on his behalf. All other directors attended the Meeting in person.
3. There will be no distribution of dividend, bonus share or capitalisation of equity reserve for the 2019 interim period.
4. The Company’s 2019 interim financial report for the six months ended 30 June 2019 was prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“**IAS 34**”). The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants.
5. Mr. YU Liang, Chairman of the Board, Mr. ZHU Jiusheng, President and Chief Executive Officer, and Mr. WANG Wenjin, Executive Vice President and Finance Principal declare that the financial report contained in the Report is warranted to be true, accurate and complete.
6. Unless otherwise specified, the currency referred to in the Report is Renminbi (“**RMB**”).
7. The Report contains forward-looking report such as future plans, which do not constitute any specific undertakings by the Group to its investors. Investors are advised to pay attention to investment risks.

*The Report has been prepared in Chinese and English, respectively. In case of discrepancy, the Chinese version shall prevail, except for the interim financial report prepared in accordance with IAS 34, of which the English version shall prevail.*

# Contents

---

Section 1	Basic Corporate Information	3
Section 2	Accounting and Financial Highlights	5
Section 3	Directors' Report	7
Section 4	Significant Events	28
Section 5	Change in Share Capital and Shareholdings of Major Shareholders	39
Section 6	Directors, Supervisors, Senior Management and Employees	46
Section 7	Information on Corporate Bonds	49
Section 8	Interim Financial Report	54

# Definition

## Term

The Company

Vanke or the Group

The Board

Supervisory Committee

Vanke Service

SCPG

VX Logistic Properties

Central Bank

CSRC

SZSE

SEHK

SZMC

Jushenghua

SEHK Listing Rules

Articles of Association

Reporting Period or Period

RMB

## Meaning

China Vanke Co., Ltd.

China Vanke Co., Ltd. and its subsidiaries

The board of directors of the Company

The Supervisory Committee of the Company

Vanke Service Development Co., Ltd.

SCPG Holdings Co., Limited

Vanke Logistics Development Co., Ltd.

People's Bank of China

China Securities Regulatory Commission

Shenzhen Stock Exchange

The Stock Exchange of Hong Kong Limited

Shenzhen Metro Group Co., Ltd.

Shenzhen Jushenghua Co., Ltd.

Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Articles of Association of China Vanke Co., Ltd.

1 January 2019 to 30 June 2019

Renminbi, unless otherwise specified

# Section 1 Basic Corporate Information

1. Company Name (Chinese): 萬科企業股份有限公司  
Company Name (English): CHINA VANKE CO., LTD.
2. Registered address: Vanke Center, No. 33 Huanmei Road,  
Dameisha, Yantian District, Shenzhen, the People's Republic of China  
Postal code: 518083  
Office address: Vanke Center, No. 33 Huanmei Road, Dameisha, Yantian District, Shenzhen,  
the People's Republic of China  
Postal code: 518083  
Principal place of business in Hong Kong: 55/F, Bank of China Tower, 1 Garden Road, Hong Kong  
Website address: [www.vanke.com](http://www.vanke.com)  
E-mail address: [IR@vanke.com](mailto:IR@vanke.com)
3. Legal representative: YU Liang
4. Authorized representatives for SEHK: WANG Wenjin and ZHU Xu  
Alternate authorized representative for SEHK: CHAN Wing Kit
5. Secretary to the Board and the company secretary: ZHU Xu  
E-mail address: [IR@vanke.com](mailto:IR@vanke.com)  
Securities affairs representative: JI Jianghua  
E-mail address: [IR@vanke.com](mailto:IR@vanke.com)  
Contact address: Vanke Center, No. 33 Huanmei Road, Dameisha, Yantian District, Shenzhen,  
the People's Republic of China  
Telephone number: 0755-25606666  
Fax number: 0755-25531696  
Assistant company secretary: CHAN Wing Kit  
E-mail address: [IR@vanke.com](mailto:IR@vanke.com)  
Contact address: 55/F, Bank of China Tower, 1 Garden Road, Hong Kong  
Telephone number: 00852-23098888  
Fax number: 00852-23288097

## Section 1

# Basic Corporate Information

6. Stock exchange on which the Company's A shares are listed: SZSE  
Stock short name of A shares: Vanke A  
Stock code of A shares: 000002  
Stock exchange on which the Company's H shares are listed: SEHK  
Stock short name of H shares: China Vanke, Vanke H<sup>note</sup>  
Stock code of H shares: 2202, 299903<sup>note</sup>  
Note: The stock short name and stock code are only applied for trading of the Company's H shares converted from the B shares of the Company held by the original B shareholders of the Company through domestic securities companies' trading system  
H share registrar: Computershare Hong Kong Investor Services Limited  
Contact address: Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
  
7. Media for disclosure of information: "China Securities Journal", "Securities Times", "Shanghai Securities News", "Securities Daily", CNINFO Network, HKEXnews website of SEHK  
Website address for publication of the Interim Report:  
A shares: [www.cninfo.com.cn](http://www.cninfo.com.cn)  
H shares: [www.hkexnews.hk](http://www.hkexnews.hk)  
Place for interim report collection: The Office of the Company's Board of Directors
  
8. First registration date of the Company: 30 May 1984  
Location: Shenzhen  
Date of change in registration: 14 July 2017  
Location: Shenzhen
  
9. Unified social credit code: 91440300192181490G

## Section 2 Accounting and Financial Highlights

### 1. Key accounting data and financial indicators

			Unit: RMB'000
Items	30-Jun-2019	31-Dec-2018	Increase/ (decrease) over the beginning of the year
Current assets	1,300,201,290	1,295,155,915	0.39%
Current liabilities	1,161,742,027	1,121,913,937	3.55%
Total equity attributable to equity shareholders of the Company	161,016,910	155,764,132	3.37% Increase of 262,991,000 H Shares
Share capital (Share)	11,302,143	11,039,152	
Net assets per share attributable to equity shareholders of the Company (RMB)	14.25	14.11	0.97%

  

Items	Jan-Jun 2019	Jan-Jun 2018	Increase/ (decrease) over the same period of the previous year
Revenue	139,320,077	104,859,125	32.86%
Gross profit	50,486,868	35,370,829	42.74%
Profit before taxation	37,825,182	25,782,402	46.71%
Profit for the Period attributable to equity shareholders of the Company	11,841,752	9,123,743	29.79%
Basic earnings per share (RMB)	1.06	0.83	28.77%
Diluted earnings per share (RMB)	1.06	0.83	28.77%
Return on equity (fully diluted)	7.35%	6.76%	Increased by 0.59 percentage point
Return on equity (weighted average)	7.26%	6.51%	Increased by 0.75 percentage point
Net cash flow generated from/(used in) operating activities	8,853,111	(4,255,093)	308.06%

## Section 2

# Accounting and Financial Highlights

## 2. Differences between domestic accounting standards and overseas accounting standards

	Unit: RMB'000	
	PRC accounting standards	International Financial Reporting Standards
Net profit attributable to equity shareholders of the Company	11,841,752	11,841,752
Total equity attributable to equity shareholders of the Company	161,016,910	161,016,910
Explanations for the difference	Nil	



# Section 3 Directors' Report

## I. Management Discussion and Analysis of Operation

During the Reporting Period, macroeconomic environment remained complicated with intensifying regulations of the property industry and broadened variation in markets of different regions. Facing the challenges arising from the changing external and internal operating environments, the Group insisted on “converging focus, consolidating and improving its fundamentals” under its strategic positioning of a “city and town developer and service provider”. The Group continued to enhance operation quality and maintained orderly development of all of its businesses.

During the period from January to June 2019, the Group realized a revenue of RMB139.32 billion and a net profit attributable to equity shareholders of the Company of RMB11.84 billion, representing year-on-year increases of 32.9% and 29.8% respectively. During the first half of the year, the Group achieved a sales amount of RMB334 billion from property development business, representing a year-on-year growth of 9.6%. As at the end of the Reporting Period, the Group's financial and capital positions remained sound, with cash and cash equivalents amounting to RMB143.87 billion. The net gearing ratio (interest-bearing liabilities less cash and cash equivalents divided by net assets) was 35.04%.

The Group successfully issued a total amount of 262,991,000 H shares in April, 2019, in accordance with the general mandate to issue H shares approved by 2017 Annual General Meeting. The placing has raised the proportion of H shares from 11.91% to 13.96% in the total share capital of the Company, which has improved the liquidity of H shares of the Company.

In July 2019, the Group had been ranked 254th on the 2019 Fortune Global 500 list of published by the Fortune magazine.

### (1) Property market

During the Reporting Period, austerity measures on the industry continued in accordance with the principle of “houses are for accommodation, not for speculation”. Local governments had set their regulatory objectives with an aim to stabilize land premium, housing price and expectation, and introduced policies aligning with local conditions to facilitate stable market development.

**The sales area of commodity housing in China declined slightly year-on-year.** According to the National Bureau of Statistics of China, the sales area of commodity housing in China from January to June 2019 amounted to 758 million sq m, representing a 1.8% year-on-year decrease, with a sales amount of RMB7.07 trillion, up by 5.6% year-on-year.

**Increase in sales area in major cities.** For the 14 cities<sup>1</sup> under the Company's ongoing and focused observation, the area of commodity housing approved for pre-sale increased by 11.7%, and area of commodity housing sold increased by 10.3% year-on-year. As at the end of the Reporting Period, the digestion cycle of the inventory of new housing available for sale (area with sales permits but had yet to be sold) in the above-mentioned cities was about 9.4 months.

---

<sup>1</sup> Beijing, Shanghai, Shenzhen, Guangzhou, Tianjin, Shenyang, Hangzhou, Nanjing, Chengdu, Wuhan, Dongguan, Foshan, Wuxi, Suzhou

## Section 3

# Directors' Report

**Property development investment sustained relatively rapid growth, but growth rate in new construction area had declined.** In the first half of the year, the total investment in property development in China increased by 10.9% year-on-year, which was 1.2 percentage points higher than the growth rate in the same period of 2018. The area of new housing construction in the country increased by 10.1% year-on-year, which was 0.7 percentage point lower than the growth rate in the same period of 2018.

**Area supply and sold in the land market increased slightly.** According to the statistics from China Index Academy, during the first half of 2019, in 300 cities throughout the nation, the planned gross floor area of land supply for residential development and area sold increased by 6.5% and 6.9% year-on-year respectively.

**Continuous tightening of financing environment in the property market.** According to statistics from the Central Bank, at the end of the second quarter of 2019, the balance of property development loans amounted to RMB11.04 trillion, up by 14.6% year-on-year, which was 9.6 percentage points lower than the growth rate in the same period of 2018.

## (2) Major works during the Reporting Period

The Group has strategically positioned itself as a city and town developer and service provider. Its principal businesses include property development and property services. The Group is also actively involved in developing other businesses related to services for daily life.

During the first half of 2019, the Group achieved a revenue of RMB139.32 billion, representing a year-on-year increase of 32.9%, and net profit attributable to equity shareholders of the Company of RMB11.84 billion, representing a year-on-year increase of 29.8%. Basic earnings per share amounted to RMB1.06, representing a year-on-year increase of 28.8%. Fully diluted return on equity was 7.35%, representing an increase of 0.59 percentage point as compared to that of the corresponding period in 2018.

There will be no dividend distribution, bonus share, or capitalisation of equity reserve of the Group for the 2019 interim period.

When divided by business segment, the booked revenue derived from the property development business accounted for 95.5% of the Group's total revenue for the first half of 2019.

Unit: RMB'000

Segment	Revenue		Cost of sales		Operating profit margin	
	Amount	Year-on-year change	Amount	Year-on-year change	Value	Year-on-year change
1. Core businesses	138,272,824	33.35%	88,530,478	27.96%	27.73%	0.36 percentage point
Including: Property development	132,990,284	33.56%	84,064,759	27.86%	28.26%	0.43 percentage point
Property services	5,282,540	28.41%	4,465,719	29.90%	14.53%	-1.90 percentage points
2. Other businesses	1,047,253	-10.36%	302,732	-0.68%	70.16%	-3.75 percentage points
<b>Total</b>	<b>139,320,077</b>	<b>32.86%</b>	<b>88,833,209</b>	<b>27.84%</b>	<b>28.05%</b>	<b>0.16 percentage point</b>

Note: The operating profit margin excluded taxes and surcharges.

By geographical region, during the first half of 2019, the revenue from the Southern Region business group ("BG"), Shanghai Region BG, Northern Region BG and Central and Western Region BG accounted for 35.40%, 32.92%, 13.66% and 18.02%, respectively, of the booked revenue derived from the Group's property development business.

#### Revenue and profit by region

	Booked area		Revenue from core businesses		Net profit attributable to Vanke's equity holding	
	('000 sq m)	Proportion	(RMB'000)	Proportion	(RMB'000)	Proportion
Southern Region	2,150.1	25.41%	47,076,479	35.40%	4,032,040	26.05%
Shanghai Region	2,440.7	28.84%	43,776,012	32.92%	7,028,286	45.41%
Northern Region	1,702.6	20.12%	18,170,652	13.66%	1,461,954	9.45%
Central and Western Region	2,169.2	25.63%	23,967,141	18.02%	2,956,239	19.09%
<b>Total</b>	<b>8,462.7</b>	<b>100.00%</b>	<b>132,990,284</b>	<b>100.00%</b>	<b>15,478,519</b>	<b>100.00%</b>

Note: During the Reporting Period, cities with booked projects included Shenzhen, Guangzhou, Dongguan, Foshan, Zhuhai, Zhongshan, Changsha, Xiamen, Quanzhou, Fuzhou, Sanya, Huizhou, Qingyuan, Putian and Nanning in the Southern Region; Shanghai, Hangzhou, Suzhou, Wuxi, Changzhou, Yangzhou, Hefei, Nanjing, Zhenjiang, Ningbo, Nanchang, Wuhu, Nantong, Jiaxing, Xuzhou, Kunshan and Wenzhou in the Shanghai Region; Beijing, Tangshan, Tianjin, Shenyang, Anshan, Fushun, Dalian, Changchun, Jilin, Qingdao, Yantai, Taiyuan, Qinhuangdao, Jinan, Harbin, Langfang, Yingkou and Jinzhong in the Northern Region; Chengdu, Chongqing, Nanchong, Wuhan, Xi'an, Guiyang, Kunming, Urumqi and Zhengzhou in the Central and Western Region.

## Section 3 Directors' Report

### 1. Overview of business development

#### (1) Property development business overview

##### ① Sales and recognition of property development business

**Persisted with proactive sales.** From January to June, the Group realized a sales area and sales amount of 21.501 million sq m and RMB334 billion, representing a year-on-year increases of 5.6% and 9.6% respectively, and ranked top 3 in 41 cities in terms of sales amount from property development business. Among the products sold by the Group in the first half of 2019, residential properties, retail and office properties and other ancillary facilities accounted for 87.8%, 9.0% and 3.2% respectively. Of all the residential products, small and medium-sized units under 144 sq m accounted for 90.6%.

Sales of the Group by geographical regions are as follows:

	Sales area ('000 sq m)	As a percentage of total	Sales amount (RMB billion)	As a percentage of total
Southern Region	3,274.7	15.23%	62.8	18.79%
Shanghai Region	6,687.8	31.10%	120.0	35.93%
Northern Region	5,355.6	24.91%	73.3	21.94%
Central and Western Region	6,145.6	28.58%	73.8	22.09%
Other areas	37.2	0.18%	4.2	1.25%
<b>Total</b>	<b>21,500.9</b>	<b>100.00%</b>	<b>334.0</b>	<b>100.00%</b>

Note: Cities in which sales were realised during the Reporting Period included Shenzhen, Guangzhou, Qingyuan, Dongguan, Huizhou, Foshan, Zhuhai, Zhongshan, Xiamen, Fuzhou, Zhangzhou, Quanzhou, Putian, Sanya, Nanning, Changsha, Jinjiang and Shishi in the Southern Region; Shanghai, Hangzhou, Jiaxing, Suzhou, Kunshan, Changshu, Wuxi, Nanjing, Nanchang, Ningbo, Hefei, Yangzhou, Wenzhou, Wuhu, Xuzhou, Nantong, Zhenjiang, Changzhou, Taizhou, Suqian, Haining and Ma'anshan in the Shanghai Region; Beijing, Qinhuangdao, Tianjin, Shenyang, Fushun, Dalian, Changchun, Harbin, Jilin, Qingdao, Jinan, Yantai, Taiyuan, Tangshan, Anshan, Shijiazhuang and Langfang in the Northern Region; Chengdu, Nanchong, Wuhan, Xi'an, Zhengzhou, Chongqing, Kunming, Guiyang, Urumqi, Lanzhou, Yuxi, Xining and Xianyang in the Central and Western Region; others including Hong Kong, New York, San Francisco, London and Seattle.

**The booked revenue increased steadily.** In the first half of 2019, the Group realized a booked area of 8.463 million sq m and a booked revenue of RMB132.99 billion, representing year-on-year increases of 20.7% and 33.6% respectively. The average booked price of the property development business was RMB15,715 per sq m.

**The amount of area sold but not yet booked continued to increase.** As at the end of the Reporting Period, the Group's area sold but not booked in the consolidated financial statements was 44.037 million sq m, with a total contract amount of approximately RMB621.55 billion, representing increases of 18.7% and 17.1% respectively, as compared to those at the end of last year.

② Property development and investment

**New construction floor area declined, while completed floor area continued to improve.** In the first half of 2019, the Group realized a new construction floor area of 19.530 million sq m, representing a year-on-year decrease of 15.9% and accounting for 54.1% of that planned for the full year (2018 first half: 65.5%). The completed floor area amounted to 10.600 million sq m, representing a year-on-year increase of 15.6% and accounting for 34.5% of that planned for the full year (2018 first half: 34.9%). The floor area to be completed for the full year is expected to be nearly the same as that planned at the beginning of the year.

**Insisted on prudent investment.** The Group adhered to its prudent investment strategies and actively explored various potential investment opportunities, provided that the cost of such opportunities are reasonable. For the first half of the year, the Group acquired 54 new projects with a total planned gross floor area ("GFA") of 13.728 million sq m and a planned GFA attributable to the Company's equity holding of 9.418 million sq m. The proportion of GFA attributable to Vanke's equity holding to total planned GFA was 68.6%. The total land premium of the above projects attributable to the Company's equity holding amounted to approximately RMB64.98 billion, with an average price of RMB6,900 per sq m. In terms of GFA, 82.0% of the new projects were located in the first and second tier cities; and in terms of equity investment amount, 88.4% were located in the first and second tier cities.

**Project resources remained at a reasonable level.** As at the end of the Reporting Period, the Group's projects under construction and planning had an aggregate GFA of approximately 153.402 million sq m and amongst them, projects under construction had a GFA of approximately 98.676 million sq m and a GFA attributable to the Company's equity holding of approximately 58.692 million sq m; GFA of projects under planning amounted to approximately 54.726 million sq m, with a GFA attributable to Vanke's equity holding of approximately 34.235 million sq m. In addition, the Group also participated in certain urban renewal projects; based on the current planning conditions, the aggregate GFA of such projects attributable to Vanke's equity holding was approximately 3.414 million sq m as at the end of the Reporting Period.

## Section 3 Directors' Report

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

Unit: sq m

No.	Project name	Location	% of equity holding	Site area	Planned GFA	GFA attributable to Vanke's equity holding	Progress status
1	Foshan Golden Home	Nanhai District	99.1%	52,222	182,777	181,186	Under construction
2	Foshan Golden Xijiangfu	Gaoming District	49.7%	75,037	187,591	93,289	Pre-construction
3	Foshan Golden Times	Chancheng District	98.9%	40,459	161,837	160,024	Pre-construction
4	Fuzhou Taijiang River Rearing Project	Taijiang District	98.5%	205,862	624,800	615,428	Pre-construction
5	Guangzhou Happiness Garden Phase 5	Huangpu District	66.5%	191,580	344,956	229,499	Pre-construction
6	Guangzhou Golden Mile	Zengcheng District	43.4%	45,450	136,215	59,104	Pre-construction
7	Nanjing Lishui G09 Land Project	Lishui District	100.0%	162,782	406,956	406,956	Pre-construction
8	Ningbo Haishu Duantang Project	Haishu District	100.0%	74,346	157,780	157,780	Pre-construction
9	Ningbo Dongqian Lake Mogu Road Project	Yinzhou District	99.3%	49,902	50,401	50,041	Pre-construction
10	Suzhou Anyuan Road Project	Xiangcheng District	39.5%	88,260	194,172	76,620	Pre-construction
11	Suzhou Xiangyang Road Project	High-tech Zone	79.2%	93,688	215,484	170,663	Under construction
12	Suzhou Wuzhong Party School Project	Wuzhong District	99.4%	12,735	58,844	58,497	Pre-construction
13	Kunshan Development Zone Project	Kunshan Development zone	99.3%	40,595	93,368	92,724	Pre-construction
14	Kunshan Xiajiahe Project	Kunshan Development Zone	91.1%	112,727	202,908	184,890	Pre-construction
15	Plot in Xiqiao Village, Ruian City, Wenzhou	Ruixiang New District	99.8%	70,151	195,720	195,309	Pre-construction
16	Wenzhou Emerald Heart Lake	Lucheng District	97.2%	11,989	33,569	32,619	Pre-construction
17	Beijing City Lights	Tongzhou District	74.9%	115,506	280,243	209,790	Pre-construction
18	Beijing Jade West Lake YunLu	Fengtai District	79.8%	168,663	184,119	146,909	Pre-construction
19	Beijing Guanchengwang Lake	Shunyi District	48.3%	43,326	64,988	31,363	Pre-construction

## Section 3 Directors' Report

Unit: sq m

No.	Project name	Location	% of equity holding	Site area	Planned GFA	GFA attributable to Vanke's equity holding	Progress status
20	Shenyang Capital Future City	Huanggu District	97.3%	334,407	691,609	673,074	Under construction
21	Shenyang Fulihua Project	Heping District	98.0%	14,496	101,468	99,439	Pre-construction
22	Anshan Gaoxin Vanke City	High-tech Zone	69.0%	129,638	261,943	180,740	Pre-construction
23	Panjin Vanke City	Xinglongtai District	99.0%	234,931	696,446	689,482	Pre-construction
24	Dalian Future Light	Jinzhou District	54.6%	212,731	466,861	254,906	Pre-construction
25	Light of Jiyang Era	Jiyang District	42.0%	129,156	337,505	141,752	Pre-construction
26	Qingdao Beichen Light	Jimo District	41.8%	70,037	112,060	46,819	Under construction
27	Shijiazhuang Park Metropolis	Xinhua District	41.0%	48,731	117,930	48,351	Pre-construction
28	Shijiazhuang Zhengding Cultural Village Project	Zhengding District	49.0%	61,496	122,991	60,266	Pre-construction
29	Shijiazhuang Future City	Luancheng District	47.3%	104,994	191,189	90,413	Pre-construction
30	Tianjin Four Seasons Riverside	Beichen District	69.2%	136,700	291,953	201,885	Pre-construction
31	Tianjin Jade Purple Terrace	Xiqing District	37.6%	68,567	109,309	41,122	Under construction
32	Changchun Baicuiyue Lake	Nanguan District	60.0%	12,911	45,189	27,113	Pre-construction
33	Changchun River	Beihu Technology Development Zone	94.6%	155,044	284,000	268,607	Pre-construction
34	Changchun North Lake Wangdong Plot	Beihu Technology Development Zone	100.0%	129,436	241,000	241,000	Pre-construction
35	Tangshan Xinhua Road Project	Lubei District	51.0%	17,265	120,854	61,636	Pre-construction
36	Top of Zhangjiakou Jingcheng	Lower Garden District	32.0%	101,649	225,095	72,030	Pre-construction
37	Linyi New City Project	Hedong District	40.0%	154,165	353,257	141,303	Pre-construction
38	Chengdu Park City	Tianfu New District	68.3%	47,333	94,667	64,686	Under construction
39	Chengdu Guoshou Jiayuan	Wenjiang District	40.0%	78,279	116,636	46,654	Pre-construction
40	Chengdu Tianfu Vanke City	Tianfu New District	99.6%	731,480	880,478	877,220	Pre-construction
41	Chengdu Yixin Lakeshore	Tianfu New District	31.5%	104,202	260,400	82,104	Under construction
42	Guiyang Vanke Lushan	Yunyan District	40.0%	303,067	783,312	313,325	Pre-construction
43	Kunming Five Hundred Miles	Guandu District	40.0%	232,914	826,604	330,642	Pre-construction
44	Yinchuan Emerald Lake	Helan County	32.0%	67,591	107,994	34,558	Under construction
45	Wuhan Vanke New City	Hongshan District	64.8%	59,898	287,499	186,328	Pre-construction

## Section 3 Directors' Report

Unit: sq m

No.	Project name	Location	% of equity holding	Site area	Planned GFA	GFA attributable to Vanke's equity holding	Progress status
46	Xi'an Metropolitan Clouds	Xixian New District	28.0%	148,195	438,115	122,672	Under construction
47	Xianyang Golden Mile Huafu	Qindu District	63.8%	62,966	180,681	115,310	Pre-construction
48	Chongqing Four Seasons Flower City	Beibei District	41.4%	77,975	194,864	80,635	Under construction
49	Chongqing Ideal City Phase I	Shapingba District	99.1%	104,692	156,993	155,501	Pre-construction
50	Chongqing Ideal City Phase II	Shapingba District	50.3%	97,965	152,513	76,668	Pre-construction
51	Chongqing Ideal City Phase III	Shapingba District	48.3%	74,723	131,217	63,338	Pre-construction
52	Chongqing Zhaomushan Project	Yubei District	90.0%	62,111	94,336	84,865	Pre-construction
53	Wuhan Hanyi Road Project	Qiaokou District	46.0%	84,804	313,746	144,198	Pre-construction
54	Urumqi Huafuli Project	High-tech Zone	91.5%	67,412	160,350	146,704	Pre-construction
Total				6,177,241	13,727,792	9,418,037	

From the end of the Reporting Period to the date of publication of the Report, the Group acquired the following new development projects:

Unit: sq m

No.	Project name	Location	% of equity holding	Site area	Planned GFA	GFA attributable to Vanke's equity holding	Progress status
1	Foshan Lecong Town Project	Shunde District	49.5%	131,842	352,801	174,643	Pre-construction
2	North side of Nanning Nakuang Road Project	Xingning District	100.0%	69,836	125,704	125,704	Pre-construction
3	Plot #2019-18, Beiwei, Zhuhai	High-tech Zone	98.4%	16,310	48,929	48,136	Pre-construction
4	Zhuhai Seashore District Plot	Jinwan District	100.0%	110,972	170,997	170,997	Pre-construction
5	Plot No. 44, South Gate, Wuxi	Jiangyin City	99.2%	60,267	150,666	149,399	Pre-construction
6	Ningbo Camel No. 375 Project	Zhenhai District	98.9%	159,678	375,418	371,270	Pre-construction
7	Hangzhou Wuchang Depot Project	Yuhang District	50.8%	448,000	783,000	397,401	Under construction
8	Hangzhou Liangzhu Site Ruins Park Plot	Yuhang District	50.0%	83,000	124,000	62,000	Pre-construction
9	Hangzhou Xu Town Hanghai Junction Plot	Haining District	100.0%	41,541	103,852	103,852	Pre-construction
10	Wenzhou D28 Plot	Lucheng District	99.1%	23,543	56,503	55,984	Pre-construction



Unit: sq m

No.	Project name	Location	% of equity holding	Site area	Planned GFA	GFA attributable to Vanke's equity holding	Progress status
11	Nantong Zhongchuang District R12 Plot	Chongchuan District	100.0%	75,362	171,000	171,000	Pre-construction
12	Shenyang Daijiazhuang – A Plot	Faku County	44.6%	39,846	112,000	49,974	Pre-construction
13	Shenyang California Garden Project	Yuhong District	99.2%	77,880	148,000	146,786	Pre-construction
14	Tangshan Hong Kong Island Center Project	Fengnan District	53.7%	120,241	245,115	131,553	Pre-construction
15	Chongqing Yuelai 117 mu Project	Yubei District	99.2%	78,043	117,065	116,081	Pre-construction
16	Chongqing Shuitu 111 mu Project	Yubei District	99.0%	73,686	110,530	109,424	Pre-construction
17	Chongqing Shuitu 103 mu Project	Yubei District	99.0%	68,554	95,264	94,312	Pre-construction
18	Chongqing Yuelai 493 mu Project	Yubei District	99.0%	328,787	475,033	470,473	Pre-construction
Total				2,007,388	3,765,877	2,948,989	

## (2) Property services

Based on the principle of consolidating fundamentals, Vanke Service insisted on providing quality, warm and attentive service to secure a positive reputation among customers as always. Vanke Service adhered to the strategy of “simultaneous development of residential property services, commercial property and facility management services” with an emphasis on core cities and key customers, thereby continuing to expand its market share. During the first half of the year, Vanke Service achieved a revenue of RMB5.28 billion, representing a year-on-year increase of 28.4%.

During the Reporting Period, Vanke Service actively expanded project resources. The full income of the newly acquired contracted projects (refers to the full-year property service fee income stipulated in project contracts) was RMB2.164 billion, representing a year-on-year increase of 113.8%. Of this, the additional full income for services from newly acquired residential property services was RMB1.333 billion, up by 84% year-on-year. The full income for services from newly acquired commercial property and facility management services was RMB831 million, representing a year-on-year increase of 189%.

## Section 3

# Directors' Report

Meanwhile, Vanke Service vigorously developed its scope of services. It introduced comprehensive asset service plans to cover segments including trading and management of, as well as ancillary services and value-added services for housing assets, aligned with the interests of home owners.

Vanke Service also actively carried out digital development to better respond to customer's service needs and to achieve cost reduction, operational efficiency improvement and delicacy management.

### (3) *Rental housing*

The fundamentals of the rental housing business included the enhancement in operational commencement efficiency, operational quality of projects acquired and increase of Vanke brand influence in rental housing.

During the first half of the year, 101 new rental housing projects, with a total of 20,600 units commenced operation. As at the end of the Reporting Period, the Group's rental housing business covered 35 major cities, with 82,000 units in operation, amongst them 74% were located in 14 core cities including Beijing, Shanghai, Shenzhen, Guangzhou, Hangzhou, Tianjin, Chengdu, Xiamen, Qingdao, Nanjing, Suzhou, Wuhan, Xi'an, Jinan. The average occupancy rate of mature projects (in operation for half a year or above) was 91%.

At the same time, the Group insisted on enhancing its product and service quality addressing the pain points and demands of customers of its rental housing business. "Port Apartments", the brand of its main product line-youth long-term rental apartment, won the title of "2018-2019 China Top Ten Centralized Long-term Rental Housing Operators of the Year".

In order to expand the channels for resources acquisition, the Group began to explore Vancun programme in certain cities. As at the end of the Reporting Period, the number of completed renovated units under the Vancun programme amounted to about 24,000, with a satisfactory occupancy rate for projects delivered and in operation. Due to the difficulty greater than expected in carrying out certain projects, the Group made corresponding adjustments based on its operation arrangement.

### (4) *Retail property development and operations*

SCPG is the retail property development and operation platform of the Group. As at the end of the Reporting Period, the total GFA of retail property projects under the Group's management was more than 13.50 million sq m. Among them, 110 retail projects were managed by SCPG, with an area of 9.15 million sq m under its management and an area of 6.43 million sq m in operation (90% were shopping malls).

The retail property business' fundamentals are continued enhancement of the operating performance of the existing projects. During the Reporting Period, SCPG focused on existing projects, continued to optimize its asset structure and improved operation and management efficiency, achieving an approximately 97% overall occupancy rate of its shopping malls (excluding renovation projects). During the Period, the three shopping malls, namely Jinan Incity, Hangzhou Jinsha Incity, and Hefei Vanke Plaza commenced operation, and brought wonderful daily life experience to local consumers with a wide variety of convenience services.

**(5) Logistics and warehousing services**

The Group uses "VX Logistic Properties" as its logistics and warehousing service platform. After nearly four years of development, it served over 800 customers, covering E-commerce, express delivery, manufacturing, catering and retailing etc. In June 2019, VX Logistic Properties was named "2018 China Top 10 Warehouse Property Enterprises" in the 14th China Warehousing and Distribution Conference held by China Association of Warehousing and Distribution.

The logistics and warehousing services' fundamentals are effective operation of existing projects and fine-tuning of the network coverage. Via focusing on the fundamentals, on the one hand, VX Logistic Properties enhances its operational capabilities through lean management and information technology, and wins customers' heads through quality services; on the other hand, it continues to increase project reserves and improve the cold chain market planning.

During the first half of the year, VX Logistic Properties acquired nine projects, with an aggregate GFA of leasable properties amounting to approximately 740,000 sq m. As at the end of the Reporting Period, VX Logistic Properties had entered 44 cities and acquired 127 projects; the GFA of leasable properties was 9.96 million sq m.

During the Reporting Period, VX Logistic Properties further accelerated the coverage of the cold chain business to the core cities by adjusting certain existing project design plans to include cold chain functions.

As at the publication date of the Report, 64 projects of VX Logistic Properties are in operation (including 55 high-standard warehouse projects and 9 cold chain projects), and among them, the average occupancy rate of high-standard warehouse projects with stable operation was 92%.

## Section 3

# Directors' Report

### (6) *Other businesses*

As at the end of the Reporting Period, the Group had a total of 79 standard office projects and 35 industrial park projects under its management, with a total area of approximately 8.03 million sq m under management, in which 72% were located in six cities including Beijing, Shanghai, Guangzhou, Shenzhen, Hangzhou and Chengdu.

In response to the State's call for the development of winter sports, the Group strove to develop competitive ski resort services. During the 2018-2019 snow season, the total number of visits to Jilin Vanke Songhua Lake Resort and Beijing Shijinglong Ski Resort, being the two ski resort projects of the Group, exceeded 600,000. The Songhua Lake Resort project also made attempts to improve its operation efficiency in summer, by adding new attractions and enriching customer experience.

### 2. *Improved product and service capacities with customer orientation in mind*

During the Reporting Period, the Group maintained the bottom line of safety and quality; it continued to improve the crossing assessment system including Skynet inspection, project assessment and professional consulting, and exercised control over various aspects, from materials delivered to construction site, potential risks during the process and risks associated with delivery. The Group also strengthened risk management through engaging external professionals.

The Group carried out a series of tasks including customer insight research, and raising the bottom line standard of products and decoration standard, in order to effectively identify changes in consumer trends. Through in-depth interviews and research, the Group could identify the real demand of customers, and provide professional solutions. Basing on thorough summary and review of past customer feedback, the Group completed the design for raising the bottom line standard and the design for formulating bottom-line management methods, established the bottom line of products to avoid repeating mistakes. Through carrying out the three initiatives of decoration standard upgrade competition, materials and parts exhibition and R&D of intelligent furniture, the Group continued to improve and upgrade its products' standards, preparing for the next stage of product and service upgrade.

### 3. *Organization development*

The Group continued to push ahead with organizational restructuring and correspondence of the responsible persons to related activities, to create "Vector Organization, Champion Organization, and Resilience Organization". During the Period, each of the business groups and business units of the Group continued to explore and improve their construction of organization functions development and staff composition, and defined a reasonable organisational structure. The Group actively carried out the "Da Jiang Da Hai" plan to identify the most suitable and high calibre persons for business development.

#### 4. *Social responsibilities*

The Group continued to pay close attention to the development of stakeholders, and effectively fulfilled its social responsibilities. During the Period, it continued to step up efforts in targeted poverty alleviation and village revitalisation by jointly launching the “Guangcai • Vanke Targeted Poverty Alleviation & Village Revitalisation Special Fund” with China Foundation for Guangcai Programme. It assisted in the relocations, poverty alleviation through education and village revitalisation carried out in Nujiang of Yunnan, Baise of Guangxi, Shouning of Fujian, Shanwei and Heyuan of Guangdong as well as places such as Guizhou and Gansu. The Group built and operated the “Botanic Pavillion”, which is one of the four core venues of International Horticultural Exhibition 2019, Beijing, China and demonstrated its green values of respecting nature and life through this internationally recognized platform to the society.

### (3) Analysis of operations and financial position

#### 1. *Profit*

During the Reporting Period, the Group realized a net profit of RMB19.29 billion, representing an increase of 42.6% year-on-year. Net profit attributable to equity shareholders of the Company amounted to RMB11.84 billion, representing a year-on-year increase of 29.8%. The fully diluted return on equity was 7.35%, up by 0.59 percentage point from that of the same period of 2018.

During the Reporting Period, booked gross profit margin of the Group's property development business rose by 0.5 percentage point from that of the same period of 2018 to 28.3%.

During the first half of the year, the Group realized an investment income of RMB1.30 billion, including RMB910 million from share of profits less losses of associates and joint ventures.

#### 2. *Capital position*

As at the end of the Reporting Period, the cash and cash equivalents held by the Group amounted to RMB143.87 billion, which was much higher than the sum of short-term borrowings and long-term liabilities due within one year which amounted to RMB66.65 billion. Among the cash and cash equivalents, Renminbi accounted for 91.9%, whereas US dollar, Hong Kong dollar and other foreign currencies together accounted for 8.1%.

#### 3. *Liabilities*

##### (1) *Gearing ratio*

The Group insisted on prudent operation. As at the end of the Reporting Period, net gearing ratio was 35.04%.

##### (2) *Interest-bearing liabilities and their composition*

The Group continued to expand the financing channel and optimize debt structure, and issued corporate bonds designated for rental housing and US dollar medium term note plan during the Reporting Period.

As at the end of the Reporting Period, the Group's interest-bearing liabilities amounted to RMB225.32 billion, representing a decrease of RMB35.89 billion from that at the beginning of the year and accounting for 14.3% of total assets.

Of the total interest-bearing liabilities, short-term borrowings and interest-bearing liabilities due within one year together amounted to RMB66.65 billion, accounting for 29.6%; interest-bearing liabilities of more than one year amounted to RMB158.67 billion, accounting for 70.4% of total.

## Section 3

# Directors' Report

By source of financing, bank borrowings, bonds payable and other borrowings accounted for 59.2%, 25.7% and 15.1% respectively.

By type of interest rates, liabilities with fixed interest rates accounted for 38.9% and liabilities with floating interest rates accounted for 61.1% of the interest-bearing liabilities respectively. Pledged interest-bearing liabilities amounted to RMB5.97 billion, accounting for 2.7% of the total interest-bearing liabilities.

By geographical location, domestic liabilities and overseas liabilities accounted for 64.8% and 35.2% respectively; RMB liabilities and foreign currency liabilities accounted for 65.0% and 35.0% respectively.

In the first half of the year, the Group's actual interest expenses totalled RMB7.02 billion, of which capitalized interest amounting to a total of RMB2.64 billion.

### (3) *Rating*

The Group continued to maintain a leading credit rating in the industry. International credit rating agencies S&P, Moody's and Fitch maintained "BBB+", "Baa1" and "BBB+" long-term corporate credit ratings for the Company, respectively, with a "stable" rating outlook.

### 4. *Analysis of inventory*

As at the end of the Reporting Period, the Group's inventory amounted to RMB794.76 billion, representing an increase of 5.4% from that at the end of 2018; of the aforesaid inventory, projects held for development amounted to RMB181.31 billion, or 22.8% of total; properties under development amounted to RMB537.67 billion, accounting for 67.7% of total; and completed properties for sale (existing properties) amounted to RMB70.98 billion, accounting for 8.9% of total.

### 5. *Contingent liabilities*

In accordance with industry practice, the Group provided provisional guarantee for mortgage loans taken by purchasers of the Company's properties. The terms 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 registration procedures of the mortgage completed and delivered to 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 RMB202.11 billion. The Group has not experienced any material loss incurred from the aforesaid guarantees. The Group is of the view that it does not need to make any provisions for such guarantees in the financial statements.

**6. Exposure to fluctuations in exchange rates**

The Group conducts a majority of its business operations in the PRC. Most of the revenue and expenses are denominated in Renminbi.

To cope with the Group's overall strategic advancement and development of various businesses, the Group raised foreign currency funds abroad. As at the end of the Reporting Period, the foreign currency liability accounted for 35.0% of the interest-bearing liabilities.

In order to control the risk of exchange rate fluctuation, the Group persisted with dynamic management of matching of foreign currency asset and liability, term structure and offshore liquidity risk, and utilised natural hedging and purchased hedging instruments to control exchange rate risk at appropriate timing. To lock up the risks arising from the movement in exchange rates of foreign currency liability, the Group's effective cross currency swap (CCS) balance was US\$2,091 million at the end of the Reporting Period. During the Reporting Period, there were deliverable foreign exchange forward (DF) contracts of US\$875 million against foreign currency liabilities expired. During the effective period of the hedging contracts, the changes in the fair value of DF and CCS had no impact on the Group's profit and loss.

During the first half of 2019, the exchange rate of RMB against US dollar appreciated slightly as compared with the beginning of the year. During the Reporting Period, the Group realized an exchange gain of approximately RMB310 million.

Since the end of the Reporting Period, the RMB exchange rate has increased. As the Group's exposure to exchange rate risk is relatively small, as at the publication date of this Report, the impact of exchange rate fluctuations on the Group's exchange gains and losses is controllable. The Group will closely observe exchange rate movements and control exchange rate fluctuation risks.

## Section 3 Directors' Report

### 7. Comparison of major assets and liabilities and operating guidances during the Reporting Period

Unit: RMB'000

Item	30-Jun-2019	31-Dec-2018	Change	Description
Contract assets	2,415,731	1,364,127	77.09%	Growth in entrusted construction business
Other current assets	2,418,780	12,600,806	-80.80%	Wealth management due for redemption
Investment properties	58,431,815	25,897,948	125.62%	Effect of change in
Lease liabilities	23,622,367	-	N/A	accounting policy

Item	Jan-Jun 2019	Jan-Jun 2018	Change	Description
Revenue	139,320,077	104,859,125	32.86%	Increase in booked area
Other net income	2,410,769	1,688,247	42.80%	Change in exchange gains and losses
Administrative expenses	(7,039,568)	(4,730,733)	48.81%	Expansion of operation scale of the Company
Finance costs	(4,859,882)	(3,673,662)	32.29%	Increase in interest expense
Income tax	(18,539,505)	(12,259,801)	51.22%	Increase in taxable profit

#### (4) Future development prospects

The overall economy continues to face various risks and challenges in the second half of the year. At the end of July, the meeting of Political Bureau of the Central Committee of the CPC emphasized the policy direction of "Housing is for living in not for speculation", and implementation the long-term mechanism for the regulation of the property industry. Continuity and stability of the austerity measures on the industry are expected to be maintained. In terms of financing, against the backdrop of continuous tightening of financial supervision, property developers will face financing pressure to certain extent.

In light of extreme uncertainty, the Group will firmly grasp the "fundamentals" of operations. Based on our work in the first half of the year, we will continue to consolidate and deepen the established business mentality.

As for the strategy, the Group will stick to its main course and consolidate and improve its fundamentals.

As for the market, the Group will persist with proactive sales approach and proactive sales proceeds recovery, and the accelerate destocking of aging inventory; improve the performance of operating business and the efficiency in capital application; and implement asset and capital verification.



As for customers, the Group will strictly abide by the safety and quality bottom line and produce good products and services which could meet the budget and needs of customers.

As for the employee partnership mechanism, the Group will continue to promote the implementation of organizational restructuring and correspondence of responsible persons to related activities.

## II. Investment analysis

### 1. Overview

Applicable  Not applicable

### 2. Significant equity investment gained during the Reporting Period

Applicable  Not applicable

### 3. Significant ongoing non-equity investment during the Reporting Period

Applicable  Not applicable

## Section 3 Directors' Report

### 4. Investment in Financial Assets (1) Securities investment

Unit: RMB

Stock Code	Stock Name	Stock Exchange which the stock is listed	Initial Investment Amount	Shareholding Percentage in the company	Book Value at the end of the Reporting Period	Gain or Loss in the Reporting Period	Change of ownership interest during the Reporting Period
0267	CITIC	SEHK	509,672,542.36	About 0.19%	539,459,465.66	(47,529,230.21)	-
Total			509,672,542.36		539,459,465.66	(47,529,230.21)	-

*(2) Derivatives investment*

*Remarks on risk analysis and management of derivative positions during the Reporting Period (including but not limited to market risk, liquidity risk, credit risk, operational risk and legal risk, etc.)*

As of the end of the Reporting Period, the Group's derivative financial instruments mainly included Cross Currency Swap (CCS) and interest rate swaps (IRS). The risks faced by CCS are related to exchange rate market risks and the certainty of the Group's future foreign currency debt cash flows. The risks faced by IRS are related to the interest rate market risk and the certainty of the Group's future foreign currency debt interest cash flow. The Group's control measures on derivative financial instruments are mainly reflected in: For derivatives trading, the Group strictly regulates the authorization and business operation procedures, carefully selects and determines the types and quantities of new derivative financial instruments, and strictly controls the credits level of the Group and related entities.

*With regard to change in market price or fair value of the derivatives invested during the Reporting Period, specific method, related assumptions and parameters for analysis of the fair value of derivatives should be disclosed*

During the Reporting Period, CCS due for settlement this year brought a profit of RMB1.29 million to the Company; the fair value of IRS and CCS at the end of the Reporting Period was determined by reference to the market quotation of external financial institutions.

*Remarks on whether there has been a material change in the accounting policy and accounting measurement principles for the Company's derivatives during the Reporting Period as compared with those of the previous reporting period*

Nil

*Special opinion of independent non-executive directors on derivative investment and risk control of the Company*

The independent non-executive directors of the Company are of the view that IRS and CCS and other financial derivatives mitigate possible losses associated with foreign currency loans in the event of significant change in exchange rates or interest rates according to the actual situation of business operations, in accordance with the relevant regulations and regulations of the regulatory authorities, standardize derivatives investment and follow the principle of prudence. The relevant arrangements of the Company had been prudent and reasonable.

## Section 3 Directors' Report

Derivative positions as at the end of the Reporting Period

Unit: RMB'0000

Type of contracts	Contract amount as at the beginning of the period	Contract amount as at the end of the period	Profit or loss during the Reporting Period	Contract amount as a percentage of the Company's net assets as at the end of the Reporting Period
IRS	438,600.00	439,600.00	–	1.89%
CCS	2,017,208.16	1,999,245.69	129.00	8.60%
DF	601,177.50	–	–	–
Total	3,056,985.66	2,438,845.69	129.00	10.49%

### III. Disposal of material assets and equity interest

#### 1. Disposal of material assets

The Company did not dispose of any material assets.

#### 2. Disposal of material equity interest

The Company did not dispose of any material equity interest.

### IV. Analysis of principal subsidiaries and associates

No information on principal subsidiaries and associates of the Company during the Reporting Period is required to be disclosed.

### V. Structured entity controlled by the Company

Applicable  Not applicable

## VI. Forecast on the operating results for the period from January to September 2019

Warning and explanation regarding forecast for possible loss or significant change in accumulated net profit for the period from the beginning of the year to the end of the next Reporting Period, as compared with that of the corresponding period of last year.

Applicable    Not applicable

## VII. Actual operating results for the Reporting Period and compared with those planned at the beginning of the Period

During the Reporting Period, the Company realized a new construction floor area of 19.53 million sq.m., accounted for 54.1% of the annual new construction plan. The Group also realized a completed construction floor area of 10.60 million sq.m., accounted for 34.5% of the annual completion plan.

## VIII. Events after the Reporting Period

As of the publication date of the Report, the Group has no significant events after the Reporting Period required to be disclosed.

## Section 4 Significant Events

### I. Details of the Annual General Meeting and Extraordinary General Meeting Held during the Reporting Period

#### (I) General meetings held during the Reporting Period

On 28 June 2019, the Company held the 2018 annual general meeting. The investors of A shares and H shares of the Company participated in the annual general meeting via on-site meeting and internet voting (only applicable to holders of A shares), with shareholding representing 68.52% of the total issued share capital of the Company. For details, please refer to the announcement published on 28 June 2019.

#### (II) Request for Convening of Extraordinary General Meeting by Preferred Shareholders with Restored Voting Rights

Applicable    Not applicable

### II. Proposal of Profit Distribution and Capitalisation of Equity Reserve during the Reporting Period

There will be no distribution of dividend, bonus share or capitalisation of equity reserve for the interim period of 2019.

### III. Undertakings Performed during the Reporting Period and Not Fulfilled as at the End of the Reporting Period by the Company's De Facto Controller, Shareholders, Related Parties, Acquirers, the Company and Other Parties related to the Undertakings

SZMC, after became the largest shareholder of the Group, has publicly expressed its firm support on the mixed ownership structure of Vanke, the urban ancillary services provider strategy, the employee partnership mechanism of Vanke, the operation and management undertaken by Vanke's management team in accordance with pre-determined strategic objective, and the deepening of the "Railway + Property" development model. SZMC made the following undertakings in the report of detailed change in equity on 18 March 2017. As of the end of the Reporting Period, SZMC had fulfilled its undertakings.

(I) **Undertakings related to maintenance of independence of the Company**

In order to maintain the independence of the listed Company, SZMC made the following undertakings:

*I. Independence of staff of the listed company*

1. Senior management (the general manager, deputy general manager, secretary of the board and financial principal etc.) of the listed company shall solely work for the listed company and be entitled to remuneration paid by the listed company, and shall not hold an office apart from directors and supervisors and be entitled to remuneration in SZMC and companies under its control.
2. Financial officers of the listed company shall not work at the SZMC and companies under its control.
3. Personnel, employment relationship and payroll administration are independent from SZMC and companies under its control.
4. SZMC shall exercise rights of shareholder through general meeting and recommend candidates for directors, supervisors and senior management of the listed company in accordance with laws and regulations or articles of association of the listed company and other rules. SZMC shall not interfere with personnel appointment and removal of the listed company beyond the general meeting or board of directors.

*II. Financial independence of the listed company*

1. The listed company shall establish independent finance and accounting department as well as independent finance and accounting mechanism and financial management system.
2. The listed company shall be capable of making financial decisions independently. SZMC shall not interfere with the usage and movement of fund by the listed company beyond the general meeting or board of directors of the listed company.
3. The listed company shall maintain its independent bank account. SZMC and companies under its control shall not share bank account with the listed company and its majority-owned subsidiaries.
4. The listed company and its majority-owned subsidiaries shall pay tax as an independent entity.

## Section 4

# Significant Events

### *III. Independence of entities of the listed company*

1. The listed company shall legally establish a sound corporate governance structure and an independent and complete organizational structure which are completely separated from the entities of SZMC. The listed company shall not share business entities or premises with SZMC and companies under its control.
2. The listed company shall operate independently. SZMC shall not interfere with the operation management of the listed company beyond the general meeting or board of directors.

### *IV. Independence of business of the listed company*

1. The listed company shall have independent assets, staff and qualifications for operating activities as well as capabilities required for independent operation of business in the market.
2. SZMC shall not require the listed company to provide goods, services or other assets to SZMC at nil consideration or on obviously unfair terms. For any related party transactions between SZMC and the enterprises controlled by it and the listed company, SZMC and the enterprises controlled by it shall perform legal procedures and enter into agreements legally based on the normal commercial principles of justice, fairness and openness and in accordance with the rules of market economy and relevant laws, regulation, normative documents and relevant requirements of SZMC, ensure the transparency, fairness and reasonableness of the transaction price, perform the obligation of abstaining from voting on the resolutions related to the related party transactions between SZMC and other enterprises controlled by it and the listed company at the general meeting and board meeting, and procure the listed company to perform the obligation of information disclosure in a timely manner, in order to ensure that the interest of the listed company and other shareholders (especially minority shareholders) will not be prejudiced through the related party transactions.

### *V. Independence of assets of the listed company*

1. The listed company shall have a business system relating to its operations as well as complete and independent assets, and the assets shall be under the control of the listed company and independently owned and operated by the listed company.
2. Other than normal operating transactions, SZMC and companies under its control shall not illegally appropriate the assets of the listed company.



SZMC shall ensure that it and the companies controlled by it shall strictly comply with relevant requirements of China Securities Regulatory Commission regarding the independence of listed companies, and shall not make use of its capacity as a shareholder to violate the standard procedures of the listed company, not go beyond its power and interfere the operation management activities of the listed company and its subsidiaries, not impair the interests of the listed company and its subsidiaries and not prejudice the legitimate interests of the listed company and other shareholders. SZMC shall assume relevant legal responsibilities caused by the breach of undertakings above, including but not limited to the compensation for all loss caused to the listed company and its minority shareholders due to such breach.”

**(II) Undertakings on avoiding competition in the same industry**

In order to maintain the independence of the listed company and to avoid causing adverse impact to the listed company due to competition in the same industry, SZMC made the following undertakings:

“During the period when SZMC holds no less than 20% of the shareholder voting rights of Vanke and SZMC is the shareholder holding the largest proportion of Vanke’s shareholder voting rights:

1. Under the principle in favor of the listed company and in compliance with laws and regulations, SZMC will give priority to the interests of the listed company and its subsidiaries in event of a conflict of interest between SZMC and companies controlled by it and the listed company and its subsidiaries due to substantial or potential competition in the same industry.
2. SZMC will not use any information known or understood by the listed company to assist SZMC or any third party in any business activity in which there is substantial competition or potential competition in the business undertaken by the listed company.
3. If the interest of the listed company is damaged due to violation of the above undertakings by SZMC and companies controlled by SZMC, SZMC will bear the corresponding liability according to law.”

## Section 4

# Significant Events

### (III) Undertakings on regulating related party transactions

In order to regulate the possible related party transactions with the listed company after the completion of this change in equity, SZMC made the following undertakings:

1. SZMC and companies controlled by SZMC will strictly exercise the rights of shareholders in accordance with the provisions of laws, regulations and other normative documents, fulfill the obligations of shareholders and maintain the independence of the listed company in terms of assets, finance, personnel, business and institutions.
2. SZMC and companies controlled by SZMC will not use its capacity as a shareholder to facilitate the listed company to pass resolutions at the general meetings or meetings of the board of directors that will infringe the lawful rights and interests of the minority shareholders through related party transactions.
3. SZMC and companies controlled by it will not use the funds of the listed company through borrowing, debt repayment (on their behalf), advance payment or any other means.
4. For any related party transactions between SZMC and the enterprises controlled by it and the listed company, SZMC and the enterprises controlled by it shall perform legal procedures and enter into agreements legally based on the normal commercial principles of justice, fairness and openness and in accordance with the rules of market economy and relevant laws, regulation, normative documents and relevant requirements of SZMC, ensure the transparency, fairness and reasonableness of the transaction price, perform the obligation of abstaining from voting on the resolutions related to the related party transactions between SZMC and other enterprises controlled by it and the listed company at the general meeting and board meeting of the listed company, and procure the listed company to perform the obligation of information disclosure in a timely manner, in order to ensure that the interest of the listed company and other shareholders (especially minority shareholders) will not be prejudiced through the related party transactions.
5. SZMC or companies controlled by SZMC will strictly comply with the requirements of the relevant laws and regulations and the articles of association of the listed company to fulfill the decision-making procedures of related transaction and the corresponding information disclosure obligations.

SZMC will ensure that SZMC and companies controlled by it will not seek special interests through related party transactions with the listed company beyond the aforementioned stipulations and will not carry out the related party transactions which will prejudice the interests of the listed company and its minority shareholders. In the event of violation of the above undertakings, SZMC will bear the corresponding legal liability, including but not limited to liability for all losses suffered by the listed company and its minority shareholders.

Once the above undertakings are signed, they will take effect immediately, until SZMC ceases to be a related party of the listing company.”

#### IV. Appointment and termination of certified public accountants

Was the interim financial report audited?

Yes  No

The Interim Report of the Company was not audited, and was reviewed by KPMG.

#### V. Explanation of the Board and the Supervisory Committee on the “non-standard audit report” of the accounting firm during the Reporting Period

Applicable  Not applicable

#### VI. Explanation of the Board on the “non-standard audit report” for the previous year

Applicable  Not applicable

#### VII. Matters related to bankruptcy and reorganization

During the Reporting Period, there were no incidents of bankruptcy or reorganization event of the Company.

#### VIII. Litigation matters

During the Reporting Period, there were no material litigation or arbitration of the Company.

#### IX. Penalties and rectification

During the Reporting Period, there were no material penalties or rectification of the Company.

#### X. Credit status of the Company and its largest shareholder

The Company and its largest shareholder SZMC had not failed to comply with any valid court order or fulfill any significant payment obligations that fell due during the Reporting Period.

#### XI. The implementation of share option incentive scheme, employee shareholding plans or other employee incentives of the Company

During the Reporting Period, there was no implementation of share option incentive scheme, employee shareholding plans or other employee incentives of the Company.

## Section 4 Significant Events

### XII. Major related party transactions

#### 1. Related party transactions related to daily operations

During the Reporting Period, the Company had no major related party transaction related to daily operations.

#### 2. Related party transactions involving asset or equity acquisition or disposal

During the Reporting Period, the Company had no major related party transaction involving asset or equity acquisition or disposal.

#### 3. Related party transactions involving investment in third parties

During the Reporting Period, the Company had no major related party transaction of joint and external investment.

#### 4. Amounts due to or from related parties

During the Reporting Period, the Company had no substantial amount due to or from related parties.

##### Was there non-operational amount due to or from related parties?

During the Reporting Period, the Company had no substantial non-operational amount due to or from related parties.

#### 5. Other major related party transactions

During the Reporting Period, the Company had no other major related party transaction.

### XIII. Non-operational use of capital of the listed company by the controlling shareholder or other related parties

Applicable  Not applicable

### XIV. Major contracts and their implementation

#### 1. Entrustment, sub-contracting or leasing arrangements

##### (1) Entrustment

During the Reporting Period, the Company had no major entrustment arrangement.

##### (2) Sub-contracting

During the Reporting Period, the Company had no major sub-contracting arrangement.

##### (3) Leasing

During the Reporting Period, the Company had no major leasing arrangement.

2. Major guarantees  
(1) Guarantees

Unit: RMB'0000

No.	Principal of the guarantee (% of equity interest held by Vanke)	Guarantor (% of equity interest held by Vanke)	Remaining guaranteed amount as at the end of the Reporting Period		Date when the guarantee began	Due date of the guarantee
			The type of guarantee			
1	Gain Pioneer Limited (100%)	China Vanke Co., Ltd.	439,600	Joint liability guarantee	2015/10/30	2020/10/30
2	Vanke Best Gain Holdings Limited (100%)	Vanke Property (Hong Kong) Company Limited (100%)	89,221	Joint liability guarantee	2014/12/23	2019/12/23
3	Alliance Grace Limited (100%)	Vanke Property (Hong Kong) Company Limited (100%)	192,012	Joint liability guarantee	2016/2/19	2020/4/19
4	Fozter Limited (100%)	China Vanke Co., Ltd.	70,637	Joint liability guarantee	2016/4/14	2021/4/14
5	Allied Glory Development Limited (100%)	Vanke Property (Hong Kong) Company Limited (100%)	85,999	Joint liability guarantee	2016/10/5	2021/4/19
6	C Plaza Co., Ltd. (100%)	V Capital Limited (100%)	129,418	Joint liability guarantee	2016/9/21	2019/10/28
7	22-12 JACKSON AVENUE OWNER LLC (70%)	VANKE HOLDINGS USA LLC (100%)	11,709	Joint liability guarantee	2017/6/30	2020/6/30
8	Sinobird Holding Limited (100%)	Vanke Real Estate (Hong Kong) Company Limited (100%)	15,680	Joint liability guarantee	2018/3/28	2020/12/31
9	Hybest (BVI) Company Limited (100%)	Vanke Real Estate (Hong Kong) Company Limited (100%)	16,320	Joint liability guarantee	2018/3/29	2020/12/31
10	Malola Garden City Sdn Bhd (90%)	Vanke Property (Hong Kong) Company Limited (100%)	59,821	Joint liability guarantee	2019/3/26	2020/3/26
11	Guangzhou Huangpu Wenchong Urban Village Property Development Co., Ltd. (100%)	Guangzhou Vanke Real Estate Co., Ltd. (100%)	125,000	Joint liability guarantee	2017/5/9	2020/5/8
12	Shanghai Central Land Estate Ltd. (100%)	V Capital Limited (100%)	5,750	Joint liability guarantee	2016/9/21	2019/10/28
13	Shanghai Shenyang Investment Management Co., Ltd. (41%)	Shanghai Vanke Investment Company Limited (100%)	1,558	Joint liability guarantee	2016/12/16	2024/12/15
14	Shenzhen Vanke Binhai Real Estate Co., Ltd (50%)	Shenzhen Vanke Real Estate Company (100%)	44,800	Joint liability guarantee	2017/2/22	2020/2/20
15	Guangzhou Huangpu Wenchong Urban Village Property Development Co., Ltd. (100%)	Guangzhou Vanke Real Estate Co., Ltd. (100%)	80,000	Joint liability guarantee	2017/8/4	2020/8/3
16	Shenzhen Senmao Land Co., Ltd. (30%)	Shenzhen Vanke Real Estate Company (100%)	34,440	Joint liability guarantee	2017/9/15	2022/9/15
17	Shanghai Minhang District Vanke Bilingual School (100%)	Shanghai Vanke Real Estate Co. Ltd. (100%)	2,610	Joint liability guarantee	2017/12/27	2021/6/27
18	Shanghai Pudong New Area Private Vanke School (100%)	Shanghai Vanke Real Estate Co. Ltd. (100%)	9,136	Joint liability guarantee	2017/12/27	2021/6/27
19	Yunnan Chengjiang Eagle Tourist Resort Co., Ltd. (36%)	Kunming Vanke Property Development Co., Ltd. (100%)	52,999	Joint liability guarantee	2017/12/29	2022/12/28
20	Yunnan Chengjiang Eagle Tourist Resort Co., Ltd. (36%)	Kunming Vanke Property Development Co., Ltd. (100%)	46,908	Joint liability guarantee	2018/1/19	2023/1/19
21	Hefei Xinhui Haochen Real Estate Co., Ltd. (40%)	Hefei Vanke Property Co., Ltd. (100%)	11,782	Joint liability guarantee	2017/12/22	2019/12/22
22	Hefei Xinhui Haochen Real Estate Co., Ltd. (40%)	Hefei Xinhui Yuxiang Real Estate Investment Co., Ltd. (100%)		Joint liability guarantee	2017/12/22	2019/12/22
23	Guangzhou Wanjin Real Estate Co., Ltd. (100%)	Guangzhou Vanke Real Estate Co., Ltd. (100%)	55,900	Joint liability guarantee	2018/1/18	2021/1/18
24	Vanke Service (Hong Kong) Co., Limited (63%)	Vanke Service Development Co, Ltd. (63%)	1,060	Joint liability guarantee	2018/5/24	2021/5/24
25	Hefei Bihe Real Estate Co., Ltd. (25%)	Hefei Vanke Property Co., Ltd. (100%)	28,975	Joint liability guarantee	2018/6/28	2021/6/28
26	Wuhan Jinwan Property Co., Ltd. (50%)	Wuhan Vanke Real Estate Company Limited (100%)	23,150	Joint liability guarantee	2018/10/10	2021/10/9
27	Yangzhou Wanjing Property Co., Ltd. (33.01%)	Yangzhou Vanke Real Estate Company Limited (100%)	11,554	Joint liability guarantee	2018/9/30	2021/9/12
28	Beijing Hengyi Enterprise Management Co., Ltd. (100%)	Beijing Vanke Enterprises Company Limited (100%)	323,400	Joint liability guarantee	2018/10/10	2023/12/31

During the Reporting Period, the Company did not provide new guarantees. Its majority-owned subsidiaries provided RMB598 million guarantees to other majority-owned subsidiaries, and did not provide any guarantee to associates and joint ventures. The aforementioned entities all performed strict approval procedures pursuant to CSRC's Notice of Regulating the External Guarantees of Listed Companies (Zhengjianfa[2005]No. 120).

## Section 4 Significant Events

As at 30 June 2019, the outstanding amount of guarantees provided by the Company was RMB19.69 billion, accounting for 12.6% of the audited net assets attributable to equity shareholders of the Company as at the end of 2018. The outstanding amount of guarantees provided by the Company and its majority-owned subsidiaries for other majority-owned subsidiaries was RMB17.02 billion, while the outstanding amount of guarantees provided by the Company and its majority-owned subsidiaries for associates and joint ventures was RMB2.67 billion. The Company and its majority-owned subsidiaries did not provide external guarantees. The Company also had no overdue guarantee or guarantees involving with litigations.

### (2) *Illegal external guarantees*

During the Reporting Period, the Company did not provide illegal external guarantees.

### 3. Other major contracts

During the Reporting Period, the Company had no other major contracts.

## XV. Explanation of other significant events

Nil.

## XVI. Corporate Governance

Provision A.6.7 of Corporate Governance Code set out in Appendix 14 of SEHK Listing Rules (the "Corporate Governance Code") states that independent non-executive directors and other non-executive directors should attend general meetings and develop an unbiased understanding of the views of shareholders.

Some independent non-executive directors and non-executive directors did not attend the annual general meeting of 2018 held by the Company on 28 June 2019 due to other important business engagements at the same time. Multiple directors, supervisors and senior management of the Company, attended the meeting and had adequate communication and exchange with the shareholders of the Company. The video and live text content of the abovementioned general meeting provided by third party has been sent to directors for review.

Other than the above, during the Reporting Period, the Company complied with all of the other code provisions of the Corporate Governance Code.

The Company has adopted the standards prescribed in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the SEHK Listing Rules as the code of conduct in dealing in securities by the directors and supervisors of the Company. After inquiries to all the directors and supervisors, all the directors and supervisors of the Company confirmed that they had fully complied with the requirements of the Model Code for Securities Transactions by Directors of Listed Issuers during the Reporting Period.

The Report was reviewed by the audit committee of the Board. Other than those disclosed in the Report, during the period from 1 January 2019 to 30 June 2019, no significant changes affecting the performance of the Company should be disclosed in accordance with the paragraphs 32 and 40(2) of Appendix 16 to the SEHK Listing Rules.

**XVII. Significant events of the Company's subsidiaries**  
Nil.

**XVIII. Details on the Company's investor meetings**

Type of meeting	Date	Location	Approach	Types of investors	Issues discussed and information provided
Golden Sun Securities meeting	2019.1	Hangzhou	Face to face	Investors including securities companies, funds, etc.	1. Major issues discussed: 1) The Company's daily operations; 2) The Company's development strategies; 3) The Company's opinions about the changes of the industry.  2. Major information provided: published information including the Company's regular reports
Chang Jiang Securities meeting	2019.1	Shanghai	Face to face	Investors including securities companies, funds, etc.	
Guangfa Securities meeting	2019.3	Hangzhou	Face to face	Investors including securities companies, funds, etc.	
Annual results presentation	2019.3	Shenzhen (Shanghai, Beijing), Hong Kong	Face to face	Investors including securities companies, funds, individual investors, etc.	
Credit Suisse Securities meeting	2019.5	Shenzhen	Face to face	Investors including securities companies, funds, etc.	
CRE Securities meeting	2019.5	Shanghai	Face to face	Investors including securities companies, funds, etc.	
Orient Securities meeting	2019.5	Shanghai	Face to face	Investors including securities companies, funds, etc.	
CITIC Securities meeting	2019.5	Qingdao	Face to face	Investors including securities companies, funds, etc.	
Huatai Securities meeting	2019.5	Shanghai	Face to face	Investors including securities companies, funds, etc.	
Morgan Stanley meeting	2019.5	Beijing	Face to face	Investors including securities companies, funds, etc.	
Industrial Securities meeting	2019.6	Shanghai	Face to face	Investors including securities companies, funds, etc.	
Morgan Stanley meeting	2019.6	New York	Face to face	Investors including securities companies, funds, etc.	
CIMB meeting	2019.6	Hong Kong	Face to face	Investors including securities companies, funds, etc.	
Citi Securities meeting	2019.6	Hong Kong	Face to face	Investors including securities companies, funds, etc.	
Citi Securities meeting	2019.6	Shenzhen	Face to face	Investors including securities companies, funds, etc.	

Note: The above-mentioned meetings included one-on-one meetings, small group meetings and large group presentation. The Company received or met with investors from over 50 companies.

## Section 4 Significant Events

Type of meeting	Date	Location	Approach	Types of investors	Issues discussed and information provided
Securities companies	During the Reporting Period	Dongguan, Ningbo, Nanning, Zhuhai, Foshan, Guangzhou, Chongqing, Shanghai, Qingdao, Shenzhen, Nanjing, Hangzhou, Xiamen, Wuhan, Jinan, Lanzhou, Hefei, Xi'an, Wuxi, Jiaxing, Suzhou, Changsha, Zhengzhou, Xuzhou, Beijing, Chengdu, Guiyang, Nanchang, Wuhu, Urumqi, Yantai, Harbin, Changchun, Kunming, Zhongshan, Tianjin, etc.	Small group or one-on-one	China Securities, MasterLink Securities, Changjiang Securities, China Merchants, CICC, Tianfeng Securities, Industrial Securities, Mitsubishi UFJ Securities, Credit Suisse, Ping An Securities, JP Morgan, Huatai Securities, HSBC, Huatai Financial Holdings (Hong Kong), Haitong Securities, CRE Securities, Guotai Securities, Guotai Junan, GF Securities, Gaohua Securities, Okasan Securities, Orient Securities, Founder Securities, Shenyin Wanguo, Credit Suisse, China Merchants (Hong Kong), GSGH, Hamagin Research Institute, Bank of America, Citi Research, Citigroup, CLSA, DBS Bank, Morgan Stanley, HSBC Hong Kong, etc.	<ol style="list-style-type: none"> <li>Major issues discussed: <ol style="list-style-type: none"> <li>The Company's daily operations;</li> <li>The Company's development strategies;</li> <li>The Company's opinions about the changes of the industry.</li> </ol> </li> <li>Major information provided: published information including the Company's regular reports</li> </ol>
Funds and other investment companies and individual investors	During the Reporting Period	Shanghai, Zhuhai, Xiamen, Beijing, Tianjin, Hefei, Changsha, Chengdu, Chongqing, Xi'an, Wenzhou, Lanzhou, Guangzhou, Foshan, Dongguan, Fuzhou, Hangzhou, Taiyuan, Zhengzhou, Suzhou, Wuhan, Ningbo, Guiyang, Qingdao, Yangzhou, Xuzhou, Wuhu, etc.	Small group or one-on-one	CITIC Capital Partners, Rujin Investment, Yinhua Fund, Greenwoods Asset, Minsheng Royal Fund, BOCOM Fund, GF Xinde Investment Management Co., Ltd., Baoying Fund, Bosera Funds, Orient Securities Asset Management, Deutsche Asset Management, Fidelity International, Flossbach Von Storch AG, Matthews Asia, Morningstar, Vontobel, Wellington Management, Teng Yue Partners, J.P. Morgan, GMO Singapore Pte. Limited, etc.	



## Section 5 Change in Share Capital and Shareholdings of Major Shareholders

### I. Change in share capital

#### (1) Change in share capital (as at 30 June 2019)

Unit: Share

Classification of Share	31 December 2018		Changes (+,-) Other	30 June 2019	
	Quantity	Percentage of shareholding		Quantity	Percentage of shareholding
<b>I. Restricted Shares</b>					
1. State-owned shares and shares held by the State-owned legal persons					
2. Shares held by the domestic legal person					
3. Shares held by domestic natural persons	9,026,490	0.08%	0	9,026,490	0.08%
4. Shares held by foreign investors					
<b>Total number of restricted shares</b>	<b>9,026,490</b>	<b>0.08%</b>	<b>0</b>	<b>9,026,490</b>	<b>0.08%</b>
<b>II. Non-restricted Shares</b>					
1. RMB-denominated ordinary shares	9,715,170,043	88.01%	0	9,715,170,043	85.96%
2. Overseas listed foreign shares	1,314,955,468	11.91%	+262,991,000	1,577,946,468	13.96%
<b>Total number of non-restricted shares</b>	<b>11,030,125,511</b>	<b>99.92%</b>	<b>+262,991,000</b>	<b>11,293,116,511</b>	<b>99.92%</b>
<b>III. Total Number of Shares</b>	<b>11,039,152,001</b>	<b>100.00%</b>	<b>+262,991,000</b>	<b>11,302,143,001</b>	<b>100.00%</b>

## Section 5

# Change in Share Capital and Shareholdings of Major Shareholders

### (2) Change in Restricted Shares during the Reporting Period

Unit: Share

Name of shareholder	Number of restricted shares held at the end of the previous year	Number of restricted shares with restrictions lifted during the Reporting Period	Number of restricted shares increased during the Reporting Period	Number of restricted shares held at the end of the Reporting Period	Reason for selling restrictions	Date of selling restrictions removal
Yu Liang	5,479,684	-	-	5,479,684	Director, senior management staff	In accordance with the Implementation Measures of
Wang Wenjin	1,735,718	-	-	1,735,718	Director, senior management staff	the SZSE for Shareholding Reduction by Shareholders,
Zhang Xu	678,029	-	-	678,029	Director, Senior management staff	Directors, Supervisors and Senior Executives of Listed
Xie Dong	1,118,059	-	-	1,118,059	Member of Supervisory Committee	Companies"
Zhou Qingping	15,000	-	-	15,000	Member of Supervisory Committee	
Total	9,026,490	-	-	9,026,490	-	-

### (3) Issue and listing of securities

✓Applicable    □Not applicable

On 26 February 2019, the issuance of the 2019 corporate bonds specialized in rental housing to qualified investors in public (first tranche) was completed and the final issuance value was RMB2 billion, with 3.65% as coupon rate.

On 4 April 2019, an aggregate of 262,991,000 new H shares, representing approximately 16.67% and 2.33% respectively, of the total issued H shares and the total issued share capital of the Company after completion of the placing, have been successfully allotted and issued by the Company at the placing price of HK\$29.68 per H share to no less than six (6) placees, who and whose ultimate beneficial owners are not connected persons (has the meaning ascribed to it under the SEHK Listing Rules) of the Company. The aggregate nominal value of the placing shares is RMB262,991,000, the closing price as quoted on the Stock Exchange on 27 March 2019, being the date of the placing agreement, is HK\$31.25 per H Share. The aggregate gross proceeds from the placing will be approximately HK\$7.81 billion. The net price (after deducting all applicable costs and expenses, including commission and legal fees) to be raised per H Share upon completion of the placing will be approximately HK\$29.72. The net proceeds from the placing will be used to repay the outstanding overseas debt financing of the Group in August 2019. The use of proceeds is in compliance with that disclosed by the Company. Due to the placing of H Shares, the total number of Shares of the Company increased to 11,302,143,001 Shares, among which, A Shares of 9,724,196,533 Shares and H Shares of 1,577,946,468 Shares. The placing of H Shares will further strengthen the financial position of the Company, while increasing the proportion and liquidity of the Company's H Shares.

# Change in Share Capital and Shareholdings of Major Shareholders

## II. Information on Shareholders (As at 30 June 2019)

### (1) Information on shareholders

Unit: Share

Total number of Shareholders as at 30 June 2019	266,110 (including 266,065 A Shareholders and 45 H Shareholders)	Total number of Shareholders as at 31 July 2019	246,844 (including 246,798 A Shareholders and 46 H Shareholders)
---	--	---	--

#### Shareholdings of the top 10 shareholders

Name of shareholder	Classification of Shareholder shareholding	Percentage of shareholding	Total number of shares held	Change in shares during the Reporting Period	Number of restricted shares held	Number of pledged or lock-up shares
SZMC	Domestic State-owned legal person	28.69%	3,242,810,791	0	0	0
HKSCC NOMINEES LIMITED <sup>Note 1</sup>	Foreign shareholder	13.96%	1,577,887,274	+262,975,290	0	0
Jushenghua	Domestic non-state-owned legal person	8.19%	926,070,472	0	0	926,070,376
AnBang Life Insurance Co., Ltd. – Conservative Investment Portfolio	Others	6.19%	699,623,983	0	0	0
Guosen Securities – Industrial and Commercial Bank of China – Guosen Jinpeng No.1 Classified Collective Asset Management Plan	Others	4.04%	456,993,190	0	0	0
Foresea Life Insurance Co., Ltd. – Hai Li Nian Nian	Others	3.04%	343,829,742	0	0	0
CMS Wealth – CMB – De Ying No. 1 Specialised Asset Management Plan	Others	2.91%	329,352,920	0	0	0
Hong Kong Securities Clearing Company Ltd. <sup>Note 2</sup>	Foreign shareholder	2.43%	274,452,460	+45,666,328	0	0
Central Huijin Asset Management Co., Ltd.	Domestic state-owned legal person	1.68%	189,566,000	0	0	0
Foresea Life Insurance Co., Ltd. – Equity fund	Others	1.47%	166,107,821	0	0	0
Remarks on strategic investor or ordinary legal person becoming top 10 shareholders after placing of new shares	Nil					

## Section 5

# Change in Share Capital and Shareholdings of Major Shareholders

Shareholdings of the top 10 shareholders of non-restricted shares		
Name of shareholder	Number of non-restricted shares held	Class of shares
SZMC	3,242,810,791	Ordinary RMB-denominated Shares (A shares)
HKSCC NOMINEES LIMITED	1,577,887,274	Overseas listed foreign Shares (H shares)
Jushenghua	926,070,472	Ordinary RMB-denominated Shares (A shares)
AnBang Life Insurance Co., Ltd. – Conservative Investment Portfolio	699,623,983	Ordinary RMB-denominated Shares (A shares)
Guosen Securities – Industrial and Commercial Bank of China – Guosen Jinpeng No.1 Classified Collective Asset Management Plan	456,993,190	Ordinary RMB-denominated Shares (A shares)
Foresea Life Insurance Co., Ltd. – Hai Li Nian Nian	343,829,742	Ordinary RMB-denominated Shares (A shares)
CMS Wealth – CMB – De Ying No. 1 Specialised Asset Management Plan	329,352,920	Ordinary RMB-denominated Shares (A shares)
Hong Kong Securities Clearing Company Ltd.	274,452,460	Ordinary RMB-denominated Shares (A shares)
Central Huijin Asset Management Co., Ltd.	189,566,000	Ordinary RMB-denominated Shares (A shares)
Foresea Life Insurance Co., Ltd. – Equity fund	166,107,821	Ordinary RMB-denominated Shares (A shares)

## Change in Share Capital and Shareholdings of Major Shareholders

Remarks on the related party relationship or action in concert of the aforementioned shareholders	<ol style="list-style-type: none"> <li>1. Jushenghua holds 51% equity of Foresea Life Insurance Co., Ltd.</li> <li>2. Save as the aforesaid, it is not known to the Company as to whether there are connections or persons deemed to be acting in concert under the Measures for the Administration of the Takeover of Listed Companies among the abovementioned shareholders.</li> </ol>
Shareholders involved in margin trading business description	Nil
Shareholders involved in contracted repurchase transactions	Nil

### Notes:

1. HKSCC NOMINEES LIMITED is the nominal holder of shares held by the Company's non-registered shareholders of H shares.
2. Hong Kong Securities Clearing Company Ltd. is the nominal holder of shares held by non-registered shareholders who hold A shares of the Company through Northbound Trading under Shenzhen-Hong Kong Stock Connect.

The "number of A-share shareholders" in the above table refers to the number of shareholders after combining margin trading accounts.

### (2) Controlling shareholder and de facto controller

There were neither controlling shareholders nor de facto controllers in the Company, and this situation remained the same during the Reporting Period.

## Change in Share Capital and Shareholdings of Major Shareholders

## (3) Shareholding by substantial shareholders as required by the Securities and Futures Ordinance of Hong Kong

To the best knowledge of the Company's directors and supervisors, as at 30 June 2019, in accordance with the relevant requirements of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), the interests and short positions of the Company held by substantial shareholders are as follows:

Name of shareholder	Capacity (types of interest)	Number of shares held/		Types of Shares	Percentage of total issued		Percentage of total issued share capital
		Number of underlying shares	Nature of Interest (shares)		A-Share capital	H-Share capital	
SZMC	Beneficial owner	3,242,810,791	Long Position	A	33.35%	–	28.69%
Jushenghua	Beneficial owner	926,070,472	Long Position	A	9.52%	–	8.19%
	Interest of controlled corporations	629,789,124	Long Position	A	6.48%	–	5.57%
	Total	1,555,859,596	Long Position	A	16.00%	–	13.77%
Anbang Insurance Group Co., Ltd.	Interest of controlled corporations	743,106,220	Long Position	A	7.64%	–	6.57%
BlackRock, Inc.	Interest of controlled corporations	128,368,950	Long Position	H	–	8.14%	1.14%
	Interest of controlled corporations	53,000	Short Position	H	–	0.00%	0.00%
JP Morgan Chase & Co.	Interest of controlled corporations	14,935,932	Long Position	H	–	0.95%	0.13%
	Interest of controlled corporations	9,196,595	Short Position	H	–	0.58%	0.08%
	Person holding a guaranteed interest in shares	157,400	Long Position	H	–	0.01%	0.00%
	Investment manager	74,138,816	Long Position	H	–	4.70%	0.66%
	Approved lending agent	40,816,735	Shares Held for Lending	H	–	2.59%	0.36%
Citigroup Inc.	Interest of controlled corporation	3,401,916	Long Position	H	–	0.22%	0.03%
	Interest of controlled corporation	896	Short Position	H	–	0.00%	0.00%
	Approved lending agent	202,310,450	Shares Held for Lending	H	–	12.82%	1.79%
GIC Private Limited	Investment manager	142,018,301	Long Position	H	–	9.00%	1.26%

## Change in Share Capital and Shareholdings of Major Shareholders

Save as disclosed above, the Company is not aware of any other person (other than the directors, supervisors, senior management of the Company) who should disclose their interest or short position in accordance with the requirements of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) and SEHK Listing Rules.

**(4) Purchase, sales or redemption of the listed securities of the Company or its subsidiaries by the Company or its subsidiaries during the Reporting Period**

During the Reporting Period, the Company and its subsidiaries did not purchase, dispose or redeem any listed securities of the Company or its subsidiaries.

## Section 6 Directors, Supervisors, Senior Management and Employees

### 1. Shareholding of directors, supervisors and senior management during the Reporting Period

Unit: Share

Name	Title	Number of shares held at the beginning of the Period	Number of shares held as at the end of the Period	Shares held at the end of the Reporting Period as a percentage of total number of shares	Reasons for the change	Number of stock options granted	Number of stock options exercised during the Reporting Period	Number of stock options not yet exercised at the end of the Reporting Period
Yu Liang	Chairman of the Board and an Executive Director	7,306,245	7,306,245	0.0646%	-	0	0	0
Wang Wenjin	Executive Director and Executive Vice President	2,314,291	2,314,291	0.0205%	-	0	0	0
Zhang Xu	Executive Director and Executive Vice President	904,039	904,039	0.0080%	-	0	0	0
Xie Dong	Chairman of Supervisory Committee	1,490,745	1,490,745	0.0132%	-	0	0	0
Zhou Qingping	Supervisor	20,000	20,000	0.0002%	-	0	0	0
Total		12,035,320	12,035,320	0.1065%	-	0	0	0

Note:

1. Save as abovementioned, other directors, supervisors and senior management did not hold shares of the Company.
2. The spouse of Ms. Zhu Xu, a vice president and secretary to the Board, held 9,600 A shares in the Company. During the Reporting Period, there was no change in the aforesaid shareholding.



## Directors, Supervisors, Senior Management and Employees

All the shares held by the aforementioned persons in the Company were beneficially owned A shares, and they were all in long position. Save for the aforementioned, the Company was not aware of any interests or short positions held by the Company's directors, supervisors, senior management and relevant associates recorded in the register required to be kept in accordance with section 352 of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) or interests or short positions held in the Company or associated corporations (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)) required to be notified to the Company and SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 to the SEHK Listing Rules.

### 2. Change in directors, supervisors and senior management during the Reporting Period

During the Reporting Period, the particulars of the following directors and senior management changed and were required to be disclosed in accordance with Rule 13.51B(1) of SEHK Listing Rules:

Name of directors and senior management	Effective Date	Change of Particulars
XIAO Min	15 January 2019	Mr. XIAO Min resigned as a non-executive director of the Company.
WANG Wenjin	7 May 2019	The twenty-first meeting of the eighteenth session of the Board reviewed and approved the appointment of Mr. WANG Wenjin to concurrently hold the position as the Finance Principal of the Company, with term from date of approval by the Board to the expiry of the term of the eighteenth session of the Board. Mr. WANG Wenjin ceased to hold the position as Chief Risk Officer of the Company.
SUN Jia	7 May 2019	As approved by the twenty-first meeting of the eighteenth session of the Board, Mr. SUN Jia ceased to hold the positions as an Executive Vice President, the Chief Financial Officer and Finance Principal of the Company.

### 3. Employees

As at 30 June 2019, there were 112,059 employees on the Group's payroll. The average age of the employees was 31.07 and the average year of service was 2.25 years. Among which 74,421 employees were male, and 37,638 employees were female.

There were 12,080 employees engaged in the property development division. The average age of the staff working for this division was 31.47 and the average year of service was 3.17 years. In terms of education level, 0.5% held doctor's degree, 22% held master's degree, 67% held bachelor's degree. 10.5% had education below bachelor's degree, when 89.5% had education level with or above bachelor's degree.

There were 87,166 employees engaged in property services. The average age was 30.99 and the average year of service was 2.11 years. In terms of education level, 0.4% held master's degree, 11.8% held bachelor's degree. 87.8% had education below bachelor's degree, when 12.2% had education with or above bachelor's degree.

There were 12,813 employees engaged in the other divisions. The average age was 31.04 and the average year of service was 2.78 years. In terms of education level, 0.1% held doctor's degree, 7.8% held master's degree, 64% held bachelor's degree. 28.1% had education below bachelor's degree, when 71.9% had education with or above bachelor's degree.

The Group continued to uphold the principle of its remuneration policy, which is "to offer competitive salaries according to market principles to retain and attract high-calibre professionals". During the Reporting Period, the aggregate staff wages and benefits appropriated by the Group amounted to RMB8 billion.

The Group has established a multi-tier and multi-level employee training plans. The training of the employees in the headquarter is focused on corporate culture and leadership cultivation, and training projects such as the Vanke lectures, new employees training, new power training, training camp for the youth strivers, Mount Everest action projects were organized regularly. The training of middle and base level employees in business departments and front-tier companies is focused on the training of professional abilities and management abilities, and training projects such as apprentice class, star battle unit and KunPeng class were organized regularly. The Group will continue to commit itself to providing development opportunities and creating a pleasant work environment for high caliber persons.

# Section 7 Information on Corporate Bonds

## 1. Basic information on corporate bonds

Name of bonds	Abbreviation of bonds	Code of bonds	Issue Date	Due Date	Balance of bonds (RMB'0000)	Interest rate	The way of repay capital with interest
China Vanke Co., Ltd. corporate bonds in 2015 (first tranche)	15Vanke 01	112285	25 September 2015 to 28 September 2015	25 September 2020	500,000	3.50%	The bonds pay a simple interest on an annual basis, instead of a compound interest. Interest is paid annually and the principal will be returned on the due date, while the last interest payment will be paid together with the principal amount.
China Vanke Co., Ltd. corporate bonds in 2017 (first tranche)	17Vanke 01	112546	14 July 2017 to 18 July 2017	18 July 2022	300,000	4.50%	
China Vanke Co., Ltd. corporate bonds in 2017 (second tranche)	17Vanke 02	112561	3 August 2017 to 4 August 2017	4 August 2022	100,000	4.54%	
China Vanke Co., Ltd. 2018 corporate bonds specialized in rental housing to qualified investors in public (first tranche)	18Vanke 01	112742	8 August 2018 to 9 August 2018	9 August 2023	150,000	4.05%	
China Vanke Co., Ltd. 2018 corporate bonds specialized in rental housing to qualified investors in public (second tranche)	18Vanke 02	112784	26 October 2018 to 29 October 2018	29 October 2023	200,000	4.18%	
China Vanke Co., Ltd. 2019 corporate bonds specialized in rental housing to qualified investors in public (first tranche)	19Vanke 01	112844	25 February 2019 to 26 February 2019	26 February 2024	200,000	3.65%	

## Section 7 Information on Corporate Bonds

Trading floor of corporate bonds for listing and trading	The SZSE
Qualified investors arrangement	The bonds are issued publicly to qualified investors in compliance with Administrative Measures for the Issuance and Trading of Corporate Bonds (《公司債券發行與交易管理辦法》) and having a qualified account of A share securities in the Shenzhen branch of the China Securities Depository and Clearing Corporation Limited.
Payment of interest and the principal amount of the corporate bonds during the Reporting Period	Interests paid in full and on time.
Implementation of the special terms including the embedded options attached to the bonds given to the issuer or investors or exchangeable terms of the bonds during the Reporting Period (if applicable)	"17 Vanke 01", "17 Vanke 02", "18 Vanke 01", "18 Vanke 02" and "19 Vanke 01" were all attached with option for the Company to adjust coupon rate and option for investors to sell back at the end of the third year. During the Reporting Period, the abovementioned options were not executed.

## 2. Bond trustee and credit rating institution

### Bond trustee:

		Zhuoyue Time Square (Phase 2) North Tower, No. 8 Zhongxin 3rd Rd, Futian District, Shenzhen		Nie Lei, Yang Fang, Chen Xiaodong		Tel	010-60838888
<b>Name</b>	CITIC Securities Company Limited	<b>Business address</b>	<b>Contact</b>				

### Credit rating institution which rate for the Company during the Reporting Period:

	China Chengxin Securities Rating Co., Ltd.		8th Floor, Anji Building, No. 760 South Xizang Road, Huangpu District, Shanghai
<b>Name</b>		<b>Business address</b>	

During the Reporting Period, the changes in bond trustee and credit rating agencies appointed by the Company, the reasons of the changes, the procedures performed and the impacts on the interest of investors (if applicable)

N/A

### 3. Use of proceeds from corporate bonds

---

Use of proceeds from corporate bonds and its compliance	The Company's use of proceeds strictly complies with the relevant regulations and requirements under the agreement of the prospectus for the issuance of the Bonds, the Administrative Measures for the Issuance and Trading of Corporate Bonds (《公司債券發行與交易管理辦法》, Rules Governing the Listing of Bonds on the Shenzhen Stock Exchange (《深圳證券交易所債券上市規則》). The disclosed information relating to the Company's use of proceeds from corporate bonds were true, accurate, complete, and provided in a timely manner and there were no violations regarding the use and management of proceeds.
The remaining balance at the end of the Reporting Period (RMB10,000)	As at 30 June 2019, the fund raised was used as required.
The operating condition of the special account for the proceeds	The Company deposited the proceeds in the special account, performed strict internal approval procedures to the use of proceeds, to ensure its designated use.
Whether the use of proceeds is in compliance with the use, plan and other undertakings made in the prospectus	The use of proceeds from the corporate bonds was in compliance with the undertakings made in the prospectus.

---

### 4. Credit ratings of the corporate bonds

On 15 May 2019, China Chengxin Securities Rating Co., Ltd. issued the Followup Credit Rating Report on China Vanke Co., Ltd. 2015 Corporate Bonds (first tranche), China Vanke Co., Ltd. 2017 Corporate Bonds (first tranche, second tranche) (Xin Ping Wei Han Zi [2019] Gen Zong No. 169) and the Followup Credit Rating Report on China Vanke Co., Ltd. 2018 corporate bonds specialized in rental housing to qualified investors in public (first tranche, second tranche), China Vanke Co., Ltd. 2019 corporate bonds specialized in rental housing to qualified investors in public (first tranche) (Xin Ping Wei Han Zi [2019] Gen Zong No. 170) (the "Two Followup Credit Rating Reports"), all of which maintained AAA credit rating with stable outlook for the Company, as well as AAA credit rating for "15 Vanke 01", "17 Vanke 01", "17 Vanke 02", "18 Vanke 01", "18 Vanke 02" and "19 Vanke 01".

### 5. Credit enhancement mechanism for corporate bonds, debt repayment plans and debt repayment guarantee measures

During the Reporting Period, no credit enhancement measures had been taken for the corporate bonds issued by the Company.

The funds to be used to repay the corporate bonds issued by the Company mainly come from the cash flows generated from the Group's daily operations. During the Reporting Period, the Group maintained a healthy financial structure, with adequate cash and cash equivalents to meet its short-term debt obligations. The steady cash inflows had provided a strong guarantee to the repayment of the principal amount and interest of the Company's corporate bonds.

During the Reporting Period, there had not been any material change in the credit enhancement mechanism for corporate bonds, debt repayment plans and debt repayment guarantee measures.

### 6. Convention of bondholders' meetings during the Reporting Period

As of the date of publication of the Report, the Company has not convened any bondholders meeting for its corporate bonds.

### 7. The performance of duties of the bond trustee during the Reporting Period

The bond trustee of the Company's corporate bonds is CITIC Securities Company Limited. During the Reporting Period, CITIC Securities Company Limited performed its duty as the trustee, in strict compliance with Agreement of Trustee of Bonds, including but not limited to continuously focusing on the Company's credit status and supervising the usage and management of proceeds raised from the corporate bonds in the Company's designated special account.

On 29 June 2019, CITIC Securities Company Limited, through the Company, disclosed the Trustee Report on Corporate Bonds of China Vanke Co., Ltd. to Qualified Investors in Public (2018) on the website of CNINFO ([www.cninfo.com.cn](http://www.cninfo.com.cn)) and disclosed the basic information on the issue of bonds, duty performance of trustee manager of the bonds, the operational and financial conditions of the Company in 2018, the use of proceeds and ratings of the bonds.

**8. Overdue payment of the Company**

The Company has no overdue payment.

**9. Payment of interest and principal of other bonds and debt financing instruments during the Reporting Period**

During the Reporting Period, the Group paid the interest and principal of other bonds and debt financing instruments according to schedule and has no event of default.

**10. Credit facilities obtained from banks, used and repaid during the Reporting Period**

The Group maintained a good credit standing with banks and other financial institutions. As of the end of June 2019, the Group had been granted by banks lines of credit with an aggregate amount of RMB394.05 billion, RMB217.458 billion of which had been used by the Group. During the Reporting Period, the Group used the funds according to the bank lending requirements, and fully repaid the principal and interest of bank loans in a timely manner.

**11. Execution status of promises or commitments in prospectus of corporate bonds during the Reporting Period**

During the Reporting Period, the Company has strictly executed the promises or commitments in prospectus of corporate bonds, and there was no circumstance due to the improper execution of such promises or commitments, which has caused negative impact on investors of bonds.

**12. Whether the corporate bonds have guarantor**

There is no guarantor.

## Section 8 Interim Financial Report

### Independent Review Report



Review report to the board of directors of China Vanke Co., Ltd.  
(incorporated in the People's Republic of China with joint stock limited liability)

#### Introduction

We have reviewed the interim financial report of China Vanke Co., Ltd. ("the Company") and its subsidiaries ("the Group"), which comprises the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim Financial Reporting*.

A handwritten signature of the KPMG firm, written in blue ink. The letters are stylized and cursive, matching the firm's logo.

Certified Public Accountants  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong  
20 August 2019



# Interim Financial Report Section 8

## Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2019 – unaudited

	Note	Six months ended 30 June	
		2019 RMB'000	2018 <sup>(note)</sup> RMB'000
<b>Revenue</b>	3(a)	139,320,077	104,859,125
Cost of sales		(88,833,209)	(69,488,296)
<b>Gross profit</b>		50,486,868	35,370,829
Other net income	4	2,410,769	1,688,247
Selling and marketing expenses		(3,186,524)	(2,808,312)
Administrative expenses		(7,039,568)	(4,730,733)
Other operating expenses		(893,919)	(828,511)
<b>Profit from operations</b>		41,777,626	28,691,520
Finance costs	5(a)	(4,859,882)	(3,673,662)
Share of profits less losses of associates and joint ventures		907,438	764,544
<b>Profit before taxation</b>		37,825,182	25,782,402
Income tax	6	(18,539,505)	(12,259,801)
<b>Profit for the period</b>		19,285,677	13,522,601
<b>Attributable to:</b>			
Equity shareholders of the Company		11,841,752	9,123,743
Non-controlling interests		7,443,925	4,398,858
<b>Profit for the period</b>		19,285,677	13,522,601
<b>Earnings per share (RMB)</b>			
Basic and diluted	7	1.06	0.83

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The accompanying notes form part of this interim financial report.

## Section 8 Interim Financial Report

### Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019 – unaudited

	Note	Six months ended 30 June	
		2019 RMB'000	2018 <sup>(note)</sup> RMB'000
<b>Profit for the period</b>		<b>19,285,677</b>	13,522,601
<b>Other comprehensive income for the period (after tax and reclassification adjustments)</b>			
Item that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income – net movement in fair value reserve		<b>384,286</b>	(14,952)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		<b>104,350</b>	(30,944)
Cash flow hedge: net movement in the hedging reserve		<b>278,810</b>	206,929
<b>Other comprehensive income for the period</b>		<b>767,446</b>	161,033
<b>Total comprehensive income for the period</b>		<b>20,053,123</b>	13,683,634
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>12,607,062</b>	9,282,539
Non-controlling interests		<b>7,446,061</b>	4,401,095
<b>Total comprehensive income for the period</b>		<b>20,053,123</b>	13,683,634

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The accompanying notes form part of this interim financial report.

# Interim Financial Report Section 8

## Condensed Consolidated Statement of Financial Position

At 30 June 2019 – unaudited

	Note	At 30 June 2019 RMB'000	At 31 December 2018 <sup>(note)</sup> RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	8	27,056,389	22,645,383
Intangible assets		831,101	1,015,426
Investment properties	9	58,431,815	25,897,948
Interest in associates and joint ventures		126,671,468	129,527,656
Other financial assets		3,031,638	2,688,915
Other non-current assets	10	41,100,407	35,982,967
Deferred tax assets		19,806,736	15,749,205
		<b>276,929,554</b>	233,507,500
<b>Current assets</b>			
Inventories and other contract costs	11	794,761,278	754,310,077
Contract assets		2,415,731	1,364,127
Trade and other receivables	12	352,057,722	331,838,827
Other current assets		2,418,780	12,600,806
Pledged and restricted deposits		10,973,620	12,749,283
Cash and cash equivalents	13	132,895,205	175,668,164
Assets held for sale		4,678,954	6,624,631
		<b>1,300,201,290</b>	1,295,155,915
<b>Current liabilities</b>			
Bank loans and borrowings from financial institutions	14	63,143,501	69,620,501
Bonds payable	15	5,225,753	24,918,488
Trade and other payables	16	486,723,850	485,370,555
Contract liabilities		566,638,883	504,711,414
Lease liabilities		2,310,801	–
Current taxation		37,699,239	37,292,979
		<b>1,161,742,027</b>	1,121,913,937
<b>Net current assets</b>		<b>138,459,263</b>	173,241,978
<b>Total assets less current liabilities</b>		<b>415,388,817</b>	406,749,478

## Section 8 Interim Financial Report

### Condensed Consolidated Statement of Financial Position

At 30 June 2019 – unaudited

	Note	At 30 June 2019 RMB'000	At 31 December 2018 <sup>(note)</sup> RMB'000
<b>Non-current liabilities</b>			
Bank loans and borrowings from financial institutions	14	104,952,265	120,929,055
Lease liabilities		21,311,566	–
Bonds payable	15	53,717,170	47,095,146
Deferred tax liabilities		474,370	622,971
Provisions		160,900	143,528
Other non-current liabilities		2,305,008	2,338,048
		<b>182,921,279</b>	<b>171,128,748</b>
<b>NET ASSETS</b>			
		<b>232,467,538</b>	<b>235,620,730</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	17	11,302,143	11,039,152
Reserves		149,714,767	144,724,980
<b>Total equity attributable to equity shareholders of the Company</b>			
		<b>161,016,910</b>	<b>155,764,132</b>
<b>Non-controlling interests</b>			
		<b>71,450,628</b>	<b>79,856,598</b>
<b>TOTAL EQUITY</b>			
		<b>232,467,538</b>	<b>235,620,730</b>

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

Approved and authorised for issue by the board of directors on 20 August 2019.

\_\_\_\_\_  
Wang Wenjin  
Director

\_\_\_\_\_  
Zhang Xu  
Director

The accompanying notes form part of this interim financial report.

# Interim Financial Report Section 8

## Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019 – unaudited

Note	Attributable to equity shareholders of the Company									Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Statutory reserves RMB'000	Exchange reserve RMB'000	Hedging reserve RMB'000	Fair value reserve RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000		
<b>Balance at 31 December 2017</b>	11,039,152	9,201,769	35,900,072	(30,587)	71,605	-	(678,546)	77,171,850	132,675,315	53,998,624	186,673,939
Impact on initial application of IFRS 15	-	-	-	-	-	-	-	2,594,852	2,594,852	494,395	3,089,247
Impact on initial application of IFRS 9	-	-	-	-	-	195,086	(196,982)	1,896	-	-	-
<b>Adjusted balance at 1 January 2018</b>	11,039,152	9,201,769	35,900,072	(30,587)	71,605	195,086	(875,528)	79,768,598	135,270,167	54,493,019	189,763,186
<b>Changes in equity for the six months ended 30 June 2018:</b>											
Profit for the period	-	-	-	-	-	-	-	9,123,743	9,123,743	4,398,858	13,522,601
Other comprehensive income	-	-	-	(33,182)	206,929	(14,952)	-	-	158,795	2,238	161,033
<b>Total comprehensive income</b>	-	-	-	(33,182)	206,929	(14,952)	-	9,123,743	9,282,539	4,401,095	13,683,634
Dividends approved in respect of the previous year	-	-	-	-	-	-	-	(9,935,237)	(9,935,237)	-	(9,935,237)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	16,028,320	16,028,320
Acquisitions of subsidiaries	-	-	-	-	-	-	-	-	-	2,220,628	2,220,628
Acquisitions of additional interest in subsidiaries	-	-	-	-	-	-	(11,247)	-	(11,247)	(1,101,008)	(1,112,255)
Disposals of interest in subsidiaries	-	-	-	-	-	-	285,958	-	285,958	869,619	1,155,577
Disposals of subsidiaries	-	-	-	-	-	-	-	-	-	(1,954,185)	(1,954,185)
Dividends declared to non-controlling interests	-	-	-	-	-	-	-	-	-	(2,124,452)	(2,124,452)
Capital reduction of subsidiaries	-	-	-	-	-	-	-	-	-	(1,941,064)	(1,941,064)
<b>Balance at 30 June 2018</b>	11,039,152	9,201,769	35,900,072	(63,769)	278,534	180,134	(600,817)	78,957,105	134,892,180	70,891,972	205,784,152

## Section 8 Interim Financial Report

### Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019 – unaudited

Note	Attributable to equity shareholders of the Company									Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Statutory reserves RMB'000	Exchange reserve RMB'000	Hedging reserve RMB'000	Fair value reserve RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000		
Balance at 1 January 2019	11,039,152	9,201,769	47,393,246	(1,338,050)	(155,284)	(902,389)	(1,199,162)	91,724,850	155,764,132	79,856,598	235,620,730
Changes in equity for the six months ended 30 June 2019:											
Profit for the period	-	-	-	-	-	-	-	11,841,752	11,841,752	7,443,925	19,285,677
Other comprehensive income	-	-	-	102,214	278,810	384,286	-	-	765,310	2,136	767,446
Total comprehensive income	-	-	-	102,214	278,810	384,286	-	11,841,752	12,607,062	7,446,061	20,053,123
Dividends approved in respect of the previous year	17(b)	-	-	-	-	-	-	(11,811,893)	(11,811,893)	-	(11,811,893)
Capital contribution from non-controlling interests		-	-	-	-	-	-	-	-	2,401,265	2,401,265
Acquisitions of subsidiaries		-	-	-	-	-	-	-	-	137,094	137,094
Acquisitions of additional interest in subsidiaries		-	-	-	-	-	(2,213,688)	-	(2,213,688)	(2,648,128)	(4,861,816)
Disposals of interest in subsidiaries		-	-	-	-	-	27,895	-	27,895	45,893	73,788
Disposals of subsidiaries		-	-	-	-	-	-	-	-	(434,518)	(434,518)
Dividends declared to non-controlling interests		-	-	-	-	-	-	-	-	(10,599,209)	(10,599,209)
Capital reduction of subsidiaries		-	-	-	-	-	-	-	-	(4,754,428)	(4,754,428)
Issue of shares on placing		262,991	6,380,411	-	-	-	-	-	6,643,402	-	6,643,402
Balance at 30 June 2019	11,302,143	15,582,180	47,393,246	(1,235,836)	123,526	(518,103)	(3,384,955)	91,754,709	161,016,910	71,450,628	232,467,538

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

The accompanying notes form part of this interim financial report.

# Interim Financial Report Section 8

## Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2019 – unaudited

	Note	Six months ended 30 June	
		2019 RMB'000	2018 <sup>(note)</sup> RMB'000
<b>Operating activities</b>			
Cash generated from operations		38,476,764	19,995,735
Income tax paid		(29,623,653)	(24,250,828)
<b>Net cash generated from/(used in) operating activities</b>		<b>8,853,111</b>	(4,255,093)
<b>Investing activities</b>			
Acquisitions of property, plant and equipment and investment properties		(3,379,589)	(5,610,314)
Other cash flows used in investing activities		(4,341,103)	(43,034,417)
<b>Net cash used in investing activities</b>		<b>(7,720,692)</b>	(48,644,731)
<b>Financing activities</b>			
Dividends and interest paid		(12,687,758)	(11,009,545)
Other cash flows (used in)/arising from financing activities		(31,302,589)	49,406,125
<b>Net cash (used in)/generated from financing activities</b>		<b>(43,990,347)</b>	38,396,580
<b>Effect of foreign exchange rate changes</b>		<b>84,969</b>	92,920
<b>Net decrease in cash and cash equivalents</b>		<b>(42,772,959)</b>	(14,410,324)
<b>Cash and cash equivalents at 1 January</b>	13	<b>175,668,164</b>	164,326,007
<b>Cash and cash equivalents at 30 June</b>	13	<b>132,895,205</b>	149,915,683

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The accompanying notes form part of this interim financial report.

## Section 8 Interim Financial Report

### Notes to the Unaudited Interim Financial Report

(Expressed in thousands in Renminbi unless otherwise indicated)

#### 1 Basis of preparation

China Vanke Co., Ltd. (the “**Company**”) is a company established and domiciled in the People’s Republic of China (the “**PRC**”). This condensed consolidated interim financial reports (‘**interim financial reports**’) as at and for the six months ended 30 June 2019 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 Mainland China.

The interim financial reports 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 (“**Listing Rules**”), 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 Company’s Board of Director on 20 August 2019.

The interim financial reports have been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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 interim financial reports contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The condensed consolidated interim financial reports and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). KPMG’s independent review report to the Board of Directors is included on page 54.



## Notes to the Unaudited Interim Financial Report

(Expressed in thousands in Renminbi unless otherwise indicated)

### 2 Changes in accounting policies

#### (a) Overview

The IASB has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

#### *IFRS 16, Leases*

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases – incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("*short-term leases*") and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

## Section 8 Interim Financial Report

### Notes to the Unaudited Interim Financial Report

(Expressed in thousands in Renminbi unless otherwise indicated)

#### 2 Changes in accounting policies (Continued)

##### (a) Overview (Continued)

###### *IFRS 16, Leases (Continued)*

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

##### (a) *Changes in the accounting policies*

###### (i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

###### (ii) Lessee accounting

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to properties as disclosed in note 19(b).

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

## Notes to the Unaudited Interim Financial Report

(Expressed in thousands in Renminbi unless otherwise indicated)

### 2 Changes in accounting policies (Continued)

#### (a) Overview (Continued)

##### *IFRS 16, Leases (Continued)*

##### *(a) Changes in the accounting policies (Continued)*

##### *(ii) Lessee accounting (Continued)*

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

## Section 8 Interim Financial Report

### Notes to the Unaudited Interim Financial Report

(Expressed in thousands in Renminbi unless otherwise indicated)

#### 2 Changes in accounting policies (Continued)

##### (a) Overview (Continued)

###### *IFRS 16, Leases (Continued)*

###### *(a) Changes in the accounting policies (Continued)*

###### (iii) Leasehold investment property

Under IFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation (“leasehold investment properties”).

###### (iv) Lessor accounting

In addition to leasing out the investment property referred to in paragraph (a)(iii) above, the Group leases out a number of items of properties as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under IAS 17.

###### *(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies*

###### (i) Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group’s operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group’s control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

## Notes to the Unaudited Interim Financial Report

(Expressed in thousands in Renminbi unless otherwise indicated)

## 2 Changes in accounting policies (Continued)

### (a) Overview (Continued)

#### *IFRS 16, Leases (Continued)*

##### *(c) Transitional impact*

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments were 3.65%~4.16%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

- (i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019;
- (ii) When measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and
- (iii) when measuring the right-of-use assets at the date of initial application of IFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and presents lease liabilities separately in the statement of financial position.

## Section 8 Interim Financial Report

### Notes to the Unaudited Interim Financial Report

(Expressed in thousands in Renminbi unless otherwise indicated)

#### 2 Changes in accounting policies (Continued)

##### (a) Overview (Continued)

###### IFRS 16, Leases (Continued)

###### (c) Transitional impact (Continued)

The following table summarises the impacts of the adoption of IFRS 16 on the Group's condensed consolidated statement of financial position:

	Carrying amount at 31 December 2018 RMB'000	Capitalisation of operating lease contracts RMB'000	Carrying amount at 1 January 2019 RMB'000
Line items in the condensed consolidated statement of financial position impacted by the adoption of IFRS 16:			
Property, plant and equipment	22,645,383	84,314	22,729,697
Investment properties	25,897,948	22,861,647	48,759,595
<b>Total non-current assets</b>	<b>233,507,500</b>	<b>22,945,961</b>	<b>256,453,461</b>
Lease liabilities (current)	–	2,228,812	2,228,812
<b>Current liabilities</b>	<b>1,121,913,937</b>	<b>2,228,812</b>	<b>1,124,142,749</b>
<b>Net current assets</b>	<b>173,241,978</b>	<b>(2,228,812)</b>	<b>171,013,166</b>
<b>Total assets less current liabilities</b>	<b>406,749,478</b>	<b>20,717,149</b>	<b>427,466,627</b>
Lease liabilities (non-current)	–	20,717,149	20,717,149
<b>Total non-current liabilities</b>	<b>171,128,748</b>	<b>20,717,149</b>	<b>191,845,897</b>
<b>Net assets</b>	<b>235,620,730</b>	<b>–</b>	<b>235,620,730</b>

### Notes to the Unaudited Interim Financial Report

(Expressed in thousands in Renminbi unless otherwise indicated)

## 2 Changes in accounting policies (Continued)

### (a) Overview (Continued)

#### *IFRS 16, Leases (Continued)*

##### *(d) Impact on the financial result and cash flows of the Group*

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's condensed consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the period.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a change in presentation of cash flows within the cash flow statement.

The following tables may give an indication of the estimated impact of adoption of IFRS 16 on the Group's financial result for the six months ended 30 June 2019, by adjusting the amounts reported under IFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply to 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

## Section 8 Interim Financial Report

### Notes to the Unaudited Interim Financial Report

(Expressed in thousands in Renminbi unless otherwise indicated)

#### 2 Changes in accounting policies (Continued)

##### (a) Overview (Continued)

##### *IFRS 16, Leases (Continued)*

##### *(d) Impact on the financial result and cash flows of the Group (Continued)*

	2019				2018
	Amounts reported under IFRS 16 (A) RMB'000	Add back: IFRS 16 depreciation and interest expense (B) RMB'000	Deduct: Estimated amounts related to operating lease as if under IAS 17 (C) RMB'000	Hypothetical amounts for 2019 as if under IAS 17 (D=A+B-C) RMB'000	Compared to amounts reported for 2018 under IAS 17 RMB'000
Financial result for the six months ended 30 June 2019 impacted by the adoption of IFRS 16:					
Profit from operations	41,777,626	1,075,557	1,305,275	41,547,908	28,691,520
Finance costs	(4,859,882)	483,456	–	(4,376,426)	(3,673,662)
Profit before taxation	37,825,182	1,559,013	1,305,275	38,078,920	25,782,402
Profit for the period	19,285,677	1,559,013	1,305,275	19,539,415	13,522,601



## Notes to the Unaudited Interim Financial Report

(Expressed in thousands in Renminbi unless otherwise indicated)

**3 Revenue and segment reporting****(a) Revenue**

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

The amount of each significant category of revenue is as follows:

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
<b>Revenue from contracts with customers within the scope of IFRS 15</b>		
Sales of properties	128,471,989	98,109,768
Property management and related services	5,282,541	4,113,939
Construction contracts	2,672,157	477,203
Other services	799,651	1,008,140
	<b>137,226,338</b>	103,709,050
<b>Revenue from other sources</b>		
Gross rentals from investment properties	2,093,739	1,150,075
	<b>139,320,077</b>	104,859,125

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

## Section 8 Interim Financial Report

### Notes to the Unaudited Interim Financial Report

(Expressed in thousands in Renminbi unless otherwise indicated)

#### 3 Revenue and segment reporting (Continued)

##### (b) Segment reporting

##### (i) Segment results and assets

	Property development					Total RMB'000
	Northern region RMB'000	Southern region RMB'000	Shanghai region RMB'000	Central and Western region RMB'000	Property management RMB'000	
For six months ended 30 June 2019						
Revenue from external customers before tax	18,238,103	47,133,843	43,859,476	24,036,790	5,282,541	138,550,753
Inter-segment revenue	35,085	11,168	112,726	47,698	877,321	1,083,998
Reportable segment revenue, before tax	18,273,188	47,145,011	43,972,202	24,084,488	6,159,862	139,634,751
Reportable segment profit	2,773,753	8,690,442	12,364,830	5,656,595	632,704	30,118,324
Reportable segment assets	350,020,231	433,971,048	365,445,198	308,213,354	12,197,193	1,469,847,024

## Notes to the Unaudited Interim Financial Report

(Expressed in thousands in Renminbi unless otherwise indicated)

## 3 Revenue and segment reporting (Continued)

## (b) Segment reporting (Continued)

## (i) Segment results and assets (Continued)

	Property development					Total RMB'000
	Northern region RMB'000	Southern region RMB'000	Shanghai region RMB'000	Central and Western region RMB'000	Property management RMB'000	
<b>For six months ended</b>						
<b>30 June 2018</b>						
Revenue from external customers before tax	15,979,308	29,045,480	36,316,696	19,765,039	4,157,700	105,264,223
Inter-segment revenue	81,414	288,884	105,794	133,523	430,978	1,040,593
Reportable segment revenue, before tax	16,060,722	29,334,364	36,422,490	19,898,562	4,588,678	106,304,816
Reportable segment profit	2,762,165	5,852,538	11,356,070	1,621,271	744,526	22,336,570
Reportable segment assets	279,325,170	346,516,964	325,836,477	214,412,790	10,457,986	1,176,549,387

## Section 8 Interim Financial Report

### Notes to the Unaudited Interim Financial Report

(Expressed in thousands in Renminbi unless otherwise indicated)

#### 3 Revenue and segment reporting (Continued)

##### (b) Segment reporting (Continued)

##### (i) Segment results and assets (Continued)

Northern region	Southern region	Shanghai region	Central and Western region
Beijing, Tianjin, Shenyang, Anshan, Dalian, Qingdao, Changchun, Yantai, Jilin, Taiyuan, Tangshan, Langfang, Fushun, Qinhuangdao, Jinzhong, Yingkou, Jinan, Shijiazhuang, Linyi, Baotou, Panjin, Zhangjiakou, Haerbing, Zibo, Weihai and Xiongan New Area	Shenzhen, Guangzhou, Qingyuan, Dongguan, Foshan, Zhuhai, Zhongshan, Changsha, Xiamen, Fuzhou, Huizhou, Sanya, Nanning, Putian, Quanzhou, Liuzhou, and Zhangzhou	Shanghai, Hangzhou, Suzhou, Ningbo, Nanjing, Zhenjiang, Nanchang, Hefei, Yangzhou, Jiaxing, Wuhu, Wenzhou, Nantong, Changzhou, Kunshan, Wuxi, Xuzhou, Changshu, Shaoxing, Haining, Jingjiang, Rui'an, Taicang, Yancheng, Gaoyou, Suqian, Haimen, Taizhou, Jinhua, Jiangyin, and etc.	Chengdu, Wuhan, Xi'an, Chongqing, Kunming, Guiyang, Urumqi, Nanchong, Zhengzhou, Lanzhou, Yichang, Weinan, Yuxi, Yinchuan, Xining, Xishuangbanna, Dali and etc.

## Notes to the Unaudited Interim Financial Report

(Expressed in thousands in Renminbi unless otherwise indicated)

## 3 Revenue and segment reporting (Continued)

## (b) Segment reporting (Continued)

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

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
<b>Revenue</b>		
Reportable segment revenue before tax	139,634,751	106,304,816
Elimination of inter-segment revenue	(1,083,998)	(1,040,593)
Unallocated revenue	769,324	710,314
Sales taxes	–	(1,115,412)
<b>Consolidated revenue</b>	<b>139,320,077</b>	<b>104,859,125</b>
<b>Profit</b>		
Reportable segment profit	30,118,324	22,336,570
Elimination of inter-segment profit	(653,018)	(414,118)
Share of profits less losses of associates and joint ventures	907,438	764,544
Dividend income	53,137	13,232
Other income	597,681	209,564
Other operating expenses, excluding provision for doubtful debts	(439,244)	(170,785)
Unallocated expenses	(2,858,334)	(3,079,546)
Land Appreciation Tax ("LAT")	10,099,198	6,122,941
<b>Consolidated profit before taxation</b>	<b>37,825,182</b>	<b>25,782,402</b>

## Section 8 Interim Financial Report

### Notes to the Unaudited Interim Financial Report

(Expressed in thousands in Renminbi unless otherwise indicated)

#### 3 Revenue and segment reporting (Continued)

##### (b) Segment reporting (Continued)

##### (ii) Reconciliation of reportable segment revenue, profit or loss and assets (Continued)

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
<b>Assets</b>		
Reportable segment assets	1,469,847,024	1,389,075,550
Elimination of inter-segment receivables	(461,047,109)	(462,169,113)
Unallocated assets	568,330,929	601,756,978
Consolidated assets	1,577,130,844	1,528,663,415

#### 4 Other net income

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Interest income	1,453,983	2,343,183
Dividend income	53,137	13,232
Forfeited deposits and compensation from customers	160,278	83,858
Net gain on disposals of subsidiaries, joint ventures and associates	109,189	6,630
Net gain on disposals of other current asset	230,809	–
Net loss on disposals of property, plant and equipment	(8,547)	(381)
Net exchange gain/(loss)	305,968	(877,732)
Others	105,952	119,457
	2,410,769	1,688,247

## Notes to the Unaudited Interim Financial Report

(Expressed in thousands in Renminbi unless otherwise indicated)

**5 Profit before taxation**

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

**(a) Finance costs**

	Six months ended 30 June	
	2019	2018 <sup>(Note)</sup>
	RMB'000	RMB'000
Borrowings costs	7,020,707	5,630,434
Less: Borrowing costs capitalised into inventories, investment properties and construction in progress	(2,644,281)	(1,956,772)
Interest on lease liabilities	483,456	–
	<b>4,859,882</b>	<b>3,673,662</b>

**(b) Staff costs**

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Salaries, wages and other benefits	7,535,895	5,742,963
Contributions to defined contribution plans	463,537	380,119
	<b>7,999,432</b>	<b>6,123,082</b>

## Section 8 Interim Financial Report

### Notes to the Unaudited Interim Financial Report

(Expressed in thousands in Renminbi unless otherwise indicated)

#### 5 Profit before taxation (Continued)

##### (c) Other items

	Six months ended 30 June	
	2019	2018 (Note)
	RMB'000	RMB'000
Depreciation and amortisation	3,090,271	1,272,762
Cost of inventories	81,486,329	64,338,225
Project management fee charged to associates and joint ventures	(399,546)	(261,612)

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

#### 6 Income tax in the condensed consolidated statement of profit or loss

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
<b>Current tax</b>		
Provision for PRC Corporate income tax ("CIT"), Hong Kong Profits Tax and U.S. income tax	12,359,785	8,553,046
Provision for LAT	10,109,321	6,122,941
Withholding tax	175,092	47,420
	22,644,198	14,723,407
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(4,104,693)	(2,463,606)
	18,539,505	12,259,801



## Notes to the Unaudited Interim Financial Report

(Expressed in thousands in Renminbi unless otherwise indicated)

**7 Earnings per share**

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB11,841,752,000 (six months ended 30 June 2018: RMB9,123,743,000) and the weighted average of 11,126,815,668 (six months ended 30 June 2018: 11,039,152,001) shares in issue during the interim period, calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30 June	
	2019 '000	2018 '000
Issued ordinary shares at 1 January	11,039,152	11,039,152
Shares issued	262,991	–
Issued ordinary shares at 30 June	11,302,143	11,039,152
Weighted average number of ordinary shares	11,126,816	11,039,152

As there are no diluted instruments outstanding, basic and diluted earnings per share are identical.

**8 Property, plant and equipment**

During the six months ended 30 June 2019, the Group's property, plant and equipment increased RMB4,411,006,000 (six months ended 30 June 2018: RMB6,382,402,000).

## Section 8 Interim Financial Report

### Notes to the Unaudited Interim Financial Report

(Expressed in thousands in Renminbi unless otherwise indicated)

#### 9 Investment properties

Movements of investment properties are analysed as follows:

	Completed properties RMB'000	Properties under development RMB'000
<b>Cost:</b>		
At 31 December 2018 <sup>(Note)</sup>	17,025,763	10,422,155
Impact on initial application of IFRS 16	22,861,647	–
At 1 January 2019	39,887,410	10,422,155
Additions of leases	454,384	–
Additions of construction costs	–	3,043,614
Change in consolidation scope	2,417,343	1,190,300
Transfer from inventories	3,688,298	667,084
Exchange adjustment	(107)	–
Transfer upon completion	4,101,433	(4,101,433)
At 30 June 2019	50,548,761	11,221,720
<b>Accumulated depreciation:</b>		
At 1 January 2019	1,418,830	–
Change in consolidation scope	46,786	–
Charge for the period	1,741,738	–
Exchange adjustment	172	–
At 30 June 2019	3,207,526	–
<b>Impairment:</b>		
At 1 January 2019 and 30 June 2019	131,140	–
<b>Net book value at 30 June 2019</b>	<b>47,210,095</b>	<b>11,221,720</b>

Note: As discussed in note 2, the Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17.

## Notes to the Unaudited Interim Financial Report

(Expressed in thousands in Renminbi unless otherwise indicated)

## 10 Other non-current assets

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Prepayments for acquisitions and properties development	7,403,780	6,171,552
Prepayments for leasehold land	31,921,030	28,157,836
Others	1,775,597	1,653,579
	<b>41,100,407</b>	<b>35,982,967</b>

## 11 Inventories and other contract costs

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Properties held for development	181,311,906	178,298,587
Properties under development	537,673,679	507,075,261
Completed properties for sale	70,983,158	63,962,097
Others	565,720	1,050,740
	<b>790,534,463</b>	<b>750,386,685</b>
Other contract costs	<b>4,226,815</b>	<b>3,923,392</b>

## Section 8 Interim Financial Report

### Notes to the Unaudited Interim Financial Report

(Expressed in thousands in Renminbi unless otherwise indicated)

#### 12 Trade and other receivables

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Trade receivables, net of loss allowance (i)	1,884,582	1,588,739
Other receivables, net of loss allowance	102,916,164	107,429,364
Prepayments, net of loss allowance	116,965,465	85,915,161
Amounts due from associates (ii)	30,743,311	35,727,848
Amounts due from joint ventures (ii)	99,481,421	101,166,932
Derivative financial instruments	66,779	10,783
	<b>352,057,722</b>	<b>331,838,827</b>

- (i) As at the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the date the trade recognised and net of loss allowance, is as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within 1 year	1,275,776	1,078,552
1 to 3 years	529,689	457,020
Over 3 years	79,117	53,167
	<b>1,884,582</b>	<b>1,588,739</b>

- (ii) The amounts due from associates and joint ventures as at 30 June 2019 include amounts of RMB28,277 million (2018: RMB35,697 million) which are interest-bearing at market rate, unsecured and repayable on demand. The gross interest income from these associates and joint ventures amounted to RMB526 million in the reporting period (six months ended 30 June 2018: RMB850 million). The remaining amounts due from associates and joint ventures are unsecured, interest-free and repayable on demand.

## Notes to the Unaudited Interim Financial Report

(Expressed in thousands in Renminbi unless otherwise indicated)

## 13 Cash and cash equivalents

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Cash at bank and on hand	132,895,205	175,668,164

As at the end of the reporting period, bank deposit balances amounted RMB 369 million (2018: RMB1,094 million) were held with Huishang Bank, an associate of the Group.

## 14 Bank loans and borrowings from financial institutions

	30 June 2019			
	Bank loans RMB'000	Borrowings from financial institutions RMB'000	Interest payables RMB'000	Total RMB'000
<b>Current</b>				
Secured(i)	12,425,612	–	–	12,425,612
Unsecured	41,176,317	8,930,592	–	50,106,909
	53,601,929	8,930,592	–	62,532,521
<b>Other</b>	–	–	610,980	610,980
	53,601,929	8,930,592	610,980	63,143,501
<b>Non-current</b>				
Secured(i)	12,600,104	–	–	12,600,104
Unsecured	67,216,651	25,135,510	–	92,352,161
	79,816,755	25,135,510	–	104,952,265

## Section 8 Interim Financial Report

### Notes to the Unaudited Interim Financial Report

(Expressed in thousands in Renminbi unless otherwise indicated)

#### 14 Bank loans and borrowings from financial institutions (Continued)

	31 December 2018			
	Bank loans RMB'000	Borrowings from financial institutions RMB'000	Interest payables RMB'000	Total RMB'000
<b>Current</b>				
Secured(i)	9,434,307	–	–	9,434,307
Unsecured	41,485,936	18,216,680	–	59,702,616
Other	–	–	483,578	483,578
	50,920,243	18,216,680	483,578	69,620,501
<b>Non-current</b>				
Secured(i)	13,474,674	–	–	13,474,674
Unsecured	73,568,050	33,886,331	–	107,454,381
	87,042,724	33,886,331	–	120,929,055

- (i) The secured bank loans are secured with certain inventories, investment properties, other noncurrent assets with aggregate carrying value of RMB25,765 million (2018: RMB23,051 million) or pledged by the shares of equity interest in certain subsidiaries of the Group.

At 30 June and 31 December each year, non-current interest-bearing bank loans and borrowings from financial institutions were repayable as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
After 1 year but within 2 years	38,896,760	45,172,737
After 2 years but within 5 years	62,588,625	70,358,538
After 5 years	3,466,880	5,397,780
	104,952,265	120,929,055

## Notes to the Unaudited Interim Financial Report

(Expressed in thousands in Renminbi unless otherwise indicated)

## 15 Bonds payable

	Note	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
<b>Current</b>			
Bonds issued under			
Medium Term Note ("MTN") Programme	(a)	4,115,793	10,057,408
Bonds issued under			
Short-term Commercial Paper ("SCP") Programme		–	13,989,065
Interest paybles		1,109,960	872,015
		<b>5,225,753</b>	<b>24,918,488</b>
<b>Non-current</b>			
Bonds issued under MTN Programme	(a)	27,811,252	23,706,908
RMB Corporate Bonds	(b)	14,968,249	12,466,357
RMB MTN Programme	(c)	10,937,669	10,921,881
		<b>53,717,170</b>	<b>47,095,146</b>
		<b>58,942,923</b>	<b>72,013,634</b>

## Notes:

- (a) Vanke Real Estate Hong Kong ("VREHK"), a wholly owned subsidiary of the Group, established a MTN Programme ("the Programme") which is listed on the Stock Exchange of Hong Kong. These bonds are unsecured and interest-bearing at 2.50% to 5.35% per annum. At 30 June 2019, RMB1,500 million of non-current bonds issued under the Programme are repayable after 2 year but within 5 years, and RMB26,312 million of which are repayable after 5 years.
- (b) The Company was approved by the China Securities Regulatory Commission ("CSRC") for public issuance of corporate bonds not exceeding RMB17 billion to qualified investors. These bonds bear fixed interest rate of 3.50% to 4.54% per annum, are unsecured and repayable after 2 years but within 5 years.
- (c) The Group issued notes under the RMB MTN programme which are listed on the National Association of Financial Market Institution Investors. These bonds bear fixed interest rate of 3.20% to 4.60% per annum, are unsecured and repayable after 2 years but within 5 years.

## Section 8 Interim Financial Report

### Notes to the Unaudited Interim Financial Report

(Expressed in thousands in Renminbi unless otherwise indicated)

#### 16 Trade and other payables

	Note	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Trade creditors and bills payable	(a)	225,534,623	229,597,382
Other payables and accruals	(b)	177,143,210	171,324,034
Amounts due to associates	(c)	21,511,269	21,318,729
Amounts due to joint ventures	(c)	61,913,918	62,245,218
Receipts in advance		620,830	253,965
Derivative financial instrument		–	631,227
		<b>486,723,850</b>	<b>485,370,555</b>

Notes:

- (a) An amount of RMB3,854 million (2018: RMB3,613 million) included in trade and other payables is expected to be settled after one year.

Ageing analysis of trade creditors and bills payable included in trade and other payables as at the end of the reporting period, based on the invoice date:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Current or payable on demand	221,680,874	225,983,899
Due after one year	3,853,749	3,613,483
Total	<b>225,534,623</b>	<b>229,597,382</b>

- (b) Other payables and accruals includes advance from non-controlling shareholders of subsidiaries and other parties for the respective property development projects amounted to RMB70,965 million (31 December 2018: RMB79,403 million). These balances, except for amounts of RMB6,331 million (2018: RMB7,631 million) which are interest-bearing at market rate, are interest-free, unsecured and repayable on demand.
- (c) The amounts of RMB4,108 million (31 December 2018: RMB9,534 million) due to associates and joint ventures are interest-bearing at market rate, unsecured and repayable on demand. The interest expenses to these associates and joint ventures amounted to RMB91 million in six months ended 2019 (six months ended 30 June 2018: RMB127 million). The remaining amounts due to associates and joint ventures are unsecured, interest free and repayable on demand.



## Notes to the Unaudited Interim Financial Report

(Expressed in thousands in Renminbi unless otherwise indicated)

## 17 Capital, reserves and dividends

## (a) Share capital

	No. of shares '000	Share Capital RMB'000
<b>A shares – registered, issued and fully paid of RMB1 each:</b>		
At 1 January and the end of the period	9,724,197	9,724,197
<b>H shares – registered, issued and fully paid of RMB1 each:</b>		
At 1 January	1,314,955	1,314,955
Shares issued	262,991	262,991
At the end of the period	1,577,946	1,577,946
<b>Total issued shares</b>		
At the end of the period	11,302,143	11,302,143

Included in the A shares are 9,026,490 shares (2018: 9,026,490 shares) with restriction to transfer.

The Company issued 262,991,000 H shares during this interim period. 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.

## (b) Dividends

No dividend has been declared during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB Nil).

Dividend payable to equity shareholders of the Company attributable to the previous financial year, approved during the period

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved during the period, of RMB1.045102 per share (2018: RMB0.90 per share)	11,811,893	9,935,237

## Section 8 Interim Financial Report

### Notes to the Unaudited Interim Financial Report

(Expressed in thousands in Renminbi unless otherwise indicated)

#### 18 Financial instruments measured at fair value

##### Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-levels fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: fair value measured using only level 1 inputs i.e. unadjusted quoted prices in active markets for identical financial instruments
- Level 2 valuations: fair value measured using level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: fair value measured using significant unobservable inputs

30 June 2019

Items	Fair value at 30 June 2019	Fair value measurements as at 30 June 2019 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Derivative financial instruments	66,779	–	66,779	–
Non-trading listed securities	2,022,192	2,022,192	–	–
Trading securities	539,459	539,459	–	–
Unlisted equity securities	469,986	–	–	469,986
Other current assets	719,780	–	–	719,780
<b>Recurring fair value measurement assets</b>	<b>3,818,196</b>	<b>2,561,651</b>	<b>66,779</b>	<b>1,189,766</b>
<b>Non-recurring fair value measurement assets</b>				
Assets held for sale	4,678,954	–	–	4,678,954

## Notes to the Unaudited Interim Financial Report

(Expressed in thousands in Renminbi unless otherwise indicated)

## 18 Financial instruments measured at fair value (continued)

31 December 2018

Items	Fair value at 31 December 2018	Fair value measurements as at 31 December 2018 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Derivative financial instruments	10,783	–	10,783	–
Unlisted equity securities	465,342	–	–	465,342
Trading securities	586,989	586,989	–	–
Non-trading listed securities	1,636,584	1,636,584	–	–
Other current assets	11,900,806	–	–	11,900,806
<b>Recurring fair value measurement assets</b>	<b>14,600,504</b>	<b>2,223,573</b>	<b>10,783</b>	<b>12,366,148</b>
<b>Recurring fair value measurement liabilities</b>				
Derivative financial instruments:	631,227	–	631,227	–
<b>Non-recurring fair value measurement assets</b>				
Assets held for sale	6,624,631	–	–	6,624,631

The carrying amount of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair value as at 30 June 2019 and 31 December 2018.

## Section 8 Interim Financial Report

### Notes to the Unaudited Interim Financial Report

(Expressed in thousands in Renminbi unless otherwise indicated)

#### 19 Commitments

- (a) Capital commitments outstanding at 30 June 2019 not provided for in the interim financial statements were as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Construction and development contracts	163,217,574	168,253,127
Land agreements	32,514,991	39,632,153
	195,732,565	207,885,280

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

- (b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	31 December 2018 RMB'000
Within 1 year	2,510,120
After 1 year but within 2 years	2,394,472
After 2 years but within 3 years	2,329,711
After 3 years	20,847,776
	28,082,079

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2.

## Notes to the Unaudited Interim Financial Report

(Expressed in thousands in Renminbi unless otherwise indicated)

**20 Contingent liabilities**

As at the end of the Reporting Period, the Group has issued guarantees to banks to secure the mortgage arrangement of property buyers. The outstanding guarantees to the banks amounted to RMB202,105 million (2018: RMB181,454 million).

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

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

**21 Material related party transactions****(a) Transactions with key management personnel**

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Short-term employee benefits	6,521	6,465

**(b) Financial guarantees issued**

As at 30 June 2019, the Group provided certain guarantees to secure the loans borrowed by certain associates. The outstanding guarantees amounted to RMB2,679 million (31 December 2018: RMB3,239 million).

The directors do not consider it probable that a claim will be made against the Group under any of these guarantees. Accordingly, the Group did not recognise any deferred income in this respect.

**(c) Disposal of commercial project**

During the period, the Group disposed a commercial project, Nantong City Lights, to Nantong Shangdong Commercial Information Consulting Co. Ltd., an associate of the Group for a consideration of RMB83 million.

**(d) Joint operations project**

In prior years, the Group cooperated with the Shenzhen Metro Group to jointly develop Shenzhen Mangrove Bay and Shenzhen North Station Project (the "Projects"). At 30 June 2019, the Group's investment in the Projects amounted to RMB5,993million (31 December 2018: RMB5,993 million) and the payables balances was RMB9,656 million (31 December 2018: RMB8,088 million).

## Section 8 Interim Financial Report

### Notes to the Unaudited Interim Financial Report

(Expressed in thousands in Renminbi unless otherwise indicated)

#### 22 Non-adjusting events after the reporting period

The Group has no material non-adjusting event after the reporting period.

#### 23 Acquisitions of subsidiaries

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

	RMB'000
Current assets	22,228,946
Non-current assets	7,182,384
Current liabilities	(23,237,855)
Non-current liabilities	(1,856,145)
Non-controlling interests	(137,094)
Net assets acquired attributable to the Group	4,180,236

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

#### 24 Disposal of subsidiaries

During the period, the Group has disposed certain subsidiaries which hold property development projects. Subsequent to the disposals, these entities are no longer subsidiaries of the Group and certain of these subsidiaries became joint ventures or associate of the Group respectively.

The combined effect of such disposals on the Group's assets and liabilities is set out below:

	RMB'000
Current assets	3,881,849
Non-current assets	2,073,806
Current liabilities	(5,402,433)
Non-controlling interests	(434,518)
Net assets attributable to the Group disposed of	118,704

#### 25 Comparative figures

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.