

vanke

CHINA VANKE CO., LTD.*

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

(Stock code: 2202)



*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 2020 (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 2nd meeting of the nineteenth session of the Board (the “**Meeting**”) held on 27 August 2020. Mr. TANG Shaojie, a Non-executive Director of the Company, did not attend the Meeting due to business engagement and had authorised Mr. LI Qiangqiang, also a Non-executive Director, 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 2020 interim period.
4. The Company’s 2020 interim financial report for the six months ended 30 June 2020 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 and Ms. HAN Huihua, 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.

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Definition

Term	Meaning
The Company	China Vanke Co., Ltd.
Vanke or the Group	China Vanke Co., Ltd. and its subsidiaries
The Board	The board of directors of the Company
Supervisory Committee	The Supervisory Committee of the Company
Vanke Service	Vanke Service Development Co., Ltd.
SCPG	SCPG Holdings Co., Limited, incorporated in the Cayman Islands
VX Logistic Properties	Vanke Logistics Development Co., Ltd.
BG	the abbreviation to Business Group, which refers to business group, including Southern Regional BG, Shanghai Regional BG, Northern Regional BG, Central and Western Regional BG and Property Service BG.
BU	the abbreviation to Business Unit, which refers to business unit, including SCPG BU, Logistics BU, Long-term Rental Apartment BU, Overseas BU, Ski Resort BU, Meisha Education BU, Enterprise Services BU and Food BU
Central Bank	People's Bank of China
CSRC	China Securities Regulatory Commission
SZSE	Shenzhen Stock Exchange
SEHK	The Stock Exchange of Hong Kong Limited
SZMC	Shenzhen Metro Group Co., Ltd.
SEHK Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Corporate Governance Code	Corporate Governance Code set out in Appendix 14 of SEHK Listing Rules

Term	Meaning
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Articles of Association	Articles of Association of China Vanke Co., Ltd.
Reporting Period or Period	1 January 2020 to 30 June 2020
A Share(s) (RMB-denominated Ordinary Share(s))	domestic ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the SZSE and traded in Renminbi
H Share(s) (Overseas-listed Foreign Share(s))	overseas-listed foreign ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the SEHK and traded in Hong Kong dollars.
RMB	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
E-mail address: IR@vanke.com
3. Legal representative: YU Liang
4. Authorized representatives for SEHK: WANG Hai Wu and ZHU Xu
Alternate authorized representative for SEHK: YIP Hoi Man
5. Secretary to the Board and the company secretary: ZHU Xu
E-mail address: IR@vanke.com
Securities affairs representative: JI Jianghua
E-mail address: IR@vanke.com
Contact address: Vanke Center, No. 33 Huanmei Road, Dameisha, Yantian District, Shenzhen,
the People's Republic of China
Telephone number: 0755-25606666
Fax number: 0755-25531696
Assistant company secretary: YIP Hoi Man
E-mail address: IR@vanke.com
Contact address: 55/F, Bank of China Tower, 1 Garden Road, Hong Kong
Telephone number: 00852-23098888
Fax number: 00852-23288097

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^{note}
Stock code of H shares: 2202, 299903^{note}
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
H shares: 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-2020	31-Dec-2019	Increase/ (decrease) over the beginning of the year
Current assets	1,509,668,130	1,439,063,201	4.91%
Current liabilities	1,315,939,371	1,272,610,284	3.40%
Total equity attributable to equity shareholders of the Company	195,617,745	188,058,492	4.02%
Share capital (Share)	11,617,732	11,302,143	increase of 315,589,200 shares
Net assets per share attributable to equity shareholders of the Company (RMB)	16.84	16.64	1.19%

Items	Jan-Jun 2020	Jan-Jun 2019	Increase/ (decrease) over the same period of the previous year
Revenue	146,349,507	139,320,077	5.05%
Gross profit	46,551,935	50,486,868	-7.79%
Profit before taxation	36,390,949	37,825,182	-3.79%
Profit for the Period attributable to equity shareholders of the Company	12,507,519	11,841,752	5.62%
Basic earnings per share (RMB)	1.11	1.06	3.98%
Diluted earnings per share (RMB)	1.11	1.06	3.98%
Return on equity (fully diluted)	6.39%	7.35%	decreased by 0.96 percentage point
Return on equity (weighted average)	6.44%	7.26%	decreased by 0.82 percentage point
Net cash flow generated from operating activities	22,605,962	8,853,111	155.34%



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	12,507,519	12,507,519
Total equity attributable to equity shareholders of the Company	195,617,745	195,617,745
Explanations for the difference	Nil	



Section 3 Directors' Report

I. Review and Analysis of Business Situation

In the face of the impact of COVID-19 and the complex business environment, Vanke focused its efforts on tiding over the pandemic and strengthening preparedness and made every effort to protect the safety of clients and to resume work and production on the premise of ensuring the health of employees, and orderly promoted business development during the Reporting Period. With the joint efforts of all the staff, the business has gradually stepped out of the difficulties caused by the pandemic and seen its recovery gathering momentum.

From January to June, 2020, the Group realized an operating income of RMB146.35 billion, a year-on-year growth of 5.1%. Net profit attributable to shareholders of the Company stood at RMB12.51 billion, up by 5.6% year-on-year. Real estate sales continued to improve. In the first half of the year, total sales amount reached RMB320.48 billion, a year-on-year decrease of 4.0%, narrowing the decline by 3.7 percentage points from the first quarter. By the end of the Reporting Period, the Group's financial and capital position had been sound, with cash and cash equivalents of RMB194.29 billion and a net gearing ratio (interest-bearing liabilities less cash and cash equivalents divided by net assets) of 27.0%.

The Group issued a total of 315,589,200 H shares in June 2020, increasing the proportion of H shares in the Company's total share capital from 13.96% to 16.30%.

The Group ranks 208th in the 2020 Fortune 500 list.

(1) The real estate market

Due to the pandemic, sales and investment in the real estate industry in China once dropped sharply. Since March, with epidemic situation turning for the better, the real estate market has gradually stabilized and recovered. At the same time, under the principle that "houses are for living in, not for speculation", local governments have been committed to stabilizing land premium, housing price and expectation. Tailor-made policies have been put in place in different localities to promote sound and steady development of the housing market.

National commercial housing sales declined to some extent year-on-year, but the decline gradually narrowed. According to the National Bureau of Statistics, the area of commodity housing sold in the first six months of this year stood at 694 million sq m, down by 8.4% year on year, narrowing the decline by 17.9 percentage points from the first quarter. From January to June, sales amount totaled RMB6.69 trillion, down by 5.4% compared to the same period of last year, narrowing the decline by 19.3 percentage points from the first quarter.

Housing supply and transaction area were recovering in key cities. In the first half of the year, the approved pre-sale area of commodity housing in 14 cities¹ which had been under the Company's ongoing and focused observation declined by 10.7% year on year, and the transaction area declined

¹ Beijing, Shanghai, Shenzhen, Guangzhou, Tianjin, Shenyang, Hangzhou, Nanjing, Chengdu, Wuhan, Dongguan, Foshan, Wuxi, and Suzhou

by 11.3% year on year. In the second quarter, however, the approved pre-sale area and transaction area of commodity housing in the above-mentioned cities increased year-on-year, at a growth rate of 7.0% and 0.9% respectively. At the end of the Reporting Period, inventory of new apartments available for sale (area that has obtained approval for sale but yet to be sold) in the above-mentioned cities had a sales cycle of around 10.4 months, a slight growth from the end of 2019.

Investment in real estate development and newly developed area gradually improved. In the first half of this year, completed investment in China's housing market grew by 1.9% year on year, 9.6 percentage points higher than that in the first quarter. New construction floor area fell by 7.6% year on year, narrowing the decline by 19.6 percentage points from the first quarter.

Localities increased land supply after the COVID-19 outbreak. According to data from the China Index Academy, in the first half of 2020, the area of residential land supply in 300 cities nationwide increased by 1.0% year on year, while the transaction area of residential land decreased by 5.4% year on year. The average premium rate of the urban residential land transactions in the above 300 cities in the first half year was 16.5%.

Financial policies for the development of the real estate industry maintained continuity, consistency and stability. Data from the Central Bank shows that at the end of the second quarter of 2020, the balance of loans for real estate development reached RMB11.97 trillion, up by 8.5% year on year, 6.1 percentage points lower from the same period in 2019.

(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 related asset operation, property services. On this basis, the Group also adhered to the strategy of "co-development with cities and co-development with customers", and actively developed other businesses for the better life of people.

During the first half of 2020, the Group achieved a revenue of RMB146.35 billion, representing a year-on-year increase of 5.1%, and net profit attributable to equity shareholders of the Company of RMB12.51 billion, representing a year-on-year increase of 5.6%. Basic earnings per share amounted to RMB1.11, representing a year-on-year increase of 4.0%. Fully diluted return on equity was 6.39%, representing a decrease of 0.96 percentage point as compared to that of last year.

There will be no dividend distribution, bonus share, or capitalisation of equity reserve of the Group for the 2020 interim period.

When divided by business segment, the operating revenue derived from the property development and related asset operation business amounted to RMB138.14 billion, accounting for 94.4% of the Group's revenue; the revenue derived from the property services amounted to RMB6.70 billion, accounting for 4.6% of the Group's revenue.

Section 3 Directors' Report

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	144,838,438	4.75%	99,427,529	12.31%	23.61%	-4.12 percentage points
including: Property development and related asset operation business	138,140,079	3.87%	93,730,064	11.50%	24.06%	-4.20 percentage points
Property services	6,698,359	26.80%	5,697,465	27.58%	14.37%	-0.16 percentage point
2.Other businesses	1,511,069	44.29%	370,043	22.23%	74.62%	4.46 percentage points
Total	146,349,507	5.05%	99,797,572	12.34%	24.14%	-3.91 percentage points

Notes: 1. The operating profit margin excluded taxes and surcharges;

2. Income from other businesses mainly includes operating management fees, brand management fees, and business management related auxiliary fees collected from associates and joint ventures.

By geographical regions, the revenue from the Southern Region, Shanghai Region, Northern Region and Central and Western Region accounted for 27.07%, 32.08%, 11.74% and 29.11%, respectively, of the total revenue derived from the Group's property development and related asset operation business.

Revenue from property development and related asset operation business and profit by region

	Revenue from property development and related asset operation business (RMB'000)	Proportion	Net profit attributable to Vanke's equity holding (RMB'000)	Proportion
Southern Region	37,409,251	27.07%	2,887,505	17.16%
Shanghai Region	44,309,257	32.08%	7,173,047	42.64%
Northern Region	16,214,265	11.74%	1,278,027	7.60%
Central and Western Region	40,207,306	29.11%	5,485,689	32.60%
Total	138,140,079	100.00%	16,824,268	100.00%

Note: During the Reporting Period, cities with revenue booked mainly 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, Jiaying, Xuzhou, Kunshan, Wenzhou and Yancheng 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, Zhengzhou, Lanzhou and Meishan in the Central and Western Region.

1. Overview of business development

(1) Property development business

① Sales and recognition

Sales gradually resumed. During the Reporting Period, the Group insisted on active sales, accelerated the exploration and practice of online marketing methods, and made effort to reduce the effect of the COVID-19 epidemic on sales. The monthly sales started to resume growth in May. From January to June 2020, the Group realized a contract sales area and contract sales amount of 20.770 million sq m and RMB320.48 billion respectively, representing the decline 3.4% and 4.0% respectively on yearly basis, but the decline narrowed by 0.9 percentage point and 3.7 percentage points as compared to first quarter respectively. Among the products sold by the Group during the Reporting Period, residential, retail and commercial properties, and other ancillary facilities accounted for 90.5%, 6.0% and 3.5%, respectively.

Section 3 Directors' Report

Sales of the Group's property development business by geographical regions

	Sales area ('0000 sq m)	Proportion	Sales amount (RMB hundred million)	Proportion
Southern Region	287.4	13.8%	491.6	15.3%
Shanghai Region	660.0	31.8%	1,322.6	41.3%
Northern Region	578.5	27.9%	712.3	22.3%
Central and Western Region	548.2	26.4%	638.5	19.9%
Other Regions	2.9	0.1%	39.8	1.2%
Total	2,077.0	100.0%	3,204.8	100.0%

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 and Changsha in the Southern Region; Shanghai, Hangzhou, Jiaxing, Suzhou, Kunshan, Changshu, Wuxi, Nanjing, Nanchang, Ningbo, Hefei, Yangzhou, Wenzhou, Wuhu, Xuzhou, Nantong, Zhenjiang, Changzhou and Taizhou in the Shanghai Region; Beijing, Qinhuangdao, Tianjin, Shenyang, Fushun, Dalian, Changchun, Harbin, Jilin, Qingdao, Jinan, Yantai, Taiyuan, Tangshan, Shijiazhuang and Langfang in the Northern Region; Chengdu, Nanchong, Wuhan, Xi'an, Zhengzhou, Chongqing, Kunming, Guiyang, Urumqi, Lanzhou, Yuxi, Xining, Xianyang, Liuzhou and Xishuangbanna in the Central and Western Region; others including Hong Kong, New York, San Francisco, London and Seattle.

Stable increase in booked revenue. In the first half of 2020, the Group's booked area and booked revenue amounted to 10.498 million sq m (representing year-on-year increase of 24.0%, and by regions, Southern Region, Shanghai Region, Northern Region and Central and Western Region accounted for 22.07%, 28.20%, 14.72% and 35.01% respectively) and RMB128.97 billion. The average booked price of the property business was RMB12,285.7 per sq m.

Continue increase in the amount of area sold but not booked. As at the end of the Reporting Period, the Group's area sold but not booked was 47.432 million sq m in the condensed consolidated statement of financial position, with total contract amount of approximately RMB695.33 billion, representing increases of 10.6% and 14.2%, respectively, as compared to those at the end of the previous year.

② Investment of Property development

New construction floor area declined, while completed floor area continued to improve. Affected by the COVID-19 epidemic, the construction and completion of the Group slowed down. In the first half of 2020, the Group realized a new construction floor area of 18.356 million sq m, representing a year-on-year decrease of 6.0% and accounting for 62.8% of that planned for the full year (2019 first half: 54.1%). The completed floor area amounted to 10.745 million sq m, representing a year-on-year increase of 1.4% and accounting for 32.4% of that planned for the whole year (2019 first half: 34.5%). The floor area to be completed for the whole year is expected to be nearly the same as that planned at the beginning of the year.

Emphasis on prudent investment, ensure its investment quality. During the Reporting Period, given the intense bidding in the land market, the Group adhered to its rational investment strategies, taking into account the balance between safety and development and the matching of risks and returns, the Group explored various potential investment opportunities. In the first half of the year, the Group acquired 55 new projects with a planned gross floor area ("GFA") of 9.802 million sq m and planned GFA attributable to the Company's equity holding of 5.046 million sq m. The total land premium of the above projects attributable to the Company's equity holding amounted to approximately RMB32.13 billion, with an average price of RMB6,368 per sq m.

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 157.197 million sq m and amongst them, projects under construction had a GFA of approximately 110.235 million sq m and a GFA attributable to the Company's equity holding of approximately 65.952 million sq m; GFA of projects under planning amounted to approximately 46.961 million sq m, with a GFA attributable to Vanke's equity holding of approximately 28.032 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 5.825 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	Shenzhen Zhenshan Hai	Nanshan District	91.6%	13,073	62,898	57,615	Pre-construction
2	The Light of Beichen, Shenzhen	Longhua District	36.0%	16,142	93,680	33,725	Pre-construction
3	Changsha Skyland	Yuhua District	34.7%	68,204	105,658	36,663	Pre-construction
4	Changsha Binhe Road	Wangcheng District	60.6%	35,323	123,633	74,922	Pre-construction
5	Dongguan Golden Mile East	Liaobu Town	31.8%	57,766	173,296	55,108	Under construction
6	Dongguan Vanke Hanbang Songhu Peninsula	Dalingshan Town	31.8%	128,605	190,629	60,620	Under construction
7	Dongguan Binjiang Garden	Machong Town	51.0%	15,561	46,524	23,727	Pre-construction
8	Vanke Sky City, Foshan	Nanhai District	50.8%	178,080	480,815	244,254	Pre-construction
9	Jiangmen Vanke Golden City Central Garden	Pengjiang District	56.0%	36,947	92,222	51,644	Under construction
10	Jiangmen Vanke Golden City Central Dongyuan	Pengjiang District	55.0%	32,080	88,239	48,531	Pre-construction
11	Vanke City, Eastern Huizhou	Huiyang District	39.0%	73,333	194,881	76,004	Pre-construction
12	Huizhou Taidong Vanke Four Seasons Flower City	Huiyang District	38.0%	60,381	213,652	81,188	Under construction
13	Liuzhou Vanke City	Liubei District	53.6%	105,445	291,250	156,110	Under construction
14	Zhongshan Four Seasons Flower City	Wuguishan Town	60.0%	133,327	226,211	135,727	Under construction
15	Shanghai Four Seasons Duhui Xiaofenglai	Baoshan District	33.2%	58,864	94,182	31,268	Under construction
16	Hangzhou Yuewang Mansion	Fuyang District	47.4%	92,480	93,405	44,274	Under construction
17	Hefei Gaodi Project	High-tech Zone	32.0%	43,281	100,006	32,002	Under construction
18	Hefei Xuelin Yayuan	Luyang District	26.4%	24,622	53,510	14,127	Under construction

Section 3 Directors' Report

No.	Project name	Location	% of equity holding	Site area	Planned GFA	GFA attributable to Vanke's equity holding	Progress status
19	Nanchang Lianfa Vanke West Coast Spring Breeze	Honggutan New Area	24.5%	32,640	81,156	19,883	Under construction
20	Nanjing Emerald Riverside	Jianye District	39.8%	45,092	106,739	42,482	Pre-construction
21	The Light of Times, Nantong	Tongzhou District	36.0%	62,553	123,415	44,429	Under construction
22	Nantong Sea Moon	Tongzhou District	34.0%	182,772	393,000	133,620	Under construction
23	Nantong Shiguang Yingcui	Tongzhou District	67.3%	71,445	121,456	81,740	Under construction
24	Kunshan Jiangwan Lanting	Kunshan High-tech Zone	50.5%	74,327	186,188	94,025	Under construction
25	Ningbo Century Riverside	Jiangbei District	49.1%	74,357	143,433	70,426	Under construction
26	East Coast of Ningbo	High-tech Zone	32.0%	55,077	124,614	39,876	Under construction
27	Ningbo Maritime City	Zhenhai District	99.7%	43,591	95,887	95,599	Pre-construction
28	Shaoxing Fangtanali	Keqiao District	65.7%	37,150	61,826	40,620	Under construction
29	Suzhou Huayu Tianjing Huating	Xiangcheng District	44.6%	57,010	125,422	55,938	Pre-construction
30	Wuhu Chaoqizhongjiang	Jiujiang District	33.0%	101,475	182,655	60,276	Under construction
31	Wuhu Oriental Longyin Terrace	Jiujiang District	41.0%	52,669	94,804	38,870	Under construction
32	Wuxi Vanke Realm	Huishan District	50.2%	51,065	102,130	51,269	Pre-construction
33	Wuxi Vanke Meili Shangcheng	Xinwu District	72.0%	85,898	171,797	123,694	Pre-construction
34	Baotou Jade City	Jiuyuan District	57.4%	369,999	836,000	479,864	Under construction
35	Jinan Golden Yuecheng Xinzhu	Tianqiao District	92.5%	56,742	147,529	136,464	Under construction
36	Jinan Prosperity Lane	Tianqiao District	51.0%	34,968	82,175	41,909	Pre-construction
37	The Light of Beichen, Jinan	Tianqiao District	100.0%	133,789	294,552	294,552	Pre-construction
38	Qingdao Purple County	Jimo District	47.0%	56,758	107,839	50,684	Pre-construction
39	Qingdao Coast Vanke City	Huangdao District	41.0%	96,111	235,998	96,759	Under construction

Section 3 Directors' Report

No.	Project name	Location	% of equity holding	Site area	Planned GFA	GFA attributable to Vanke's equity holding	Progress status
40	Shijiazhuang Jiashi Vanke Purple Terrace	Qiaoxi District	41.6%	56,613	145,653	60,592	Under construction
41	Taiyuan Chengshizhiguang Dongwang	Yingze District	90.1%	39,062	160,310	144,439	Pre-construction
42	Yantai Emerald Sea View Project	Laishan District	36.0%	69,494	175,691	63,249	Pre-construction
43	Dali Shisanyue	Economic Development Zone	37.4%	152,108	579,000	216,546	Under construction
44	Lanzhou Vanke Puyue Zhenyuan	Chengguan District	41.1%	44,549	169,279	69,574	Under construction
45	Wuhan Park Avenue	Qiaokou District	39.5%	76,538	262,998	103,884	Under construction
46	Urumqi Metropolis Legend Phase III	Shaybak District	98.5%	146,730	253,221	249,423	Pre-construction
47	Urumqi Tianshan Mansion Phase II	Shaybak District	90.0%	41,286	78,790	70,911	Pre-construction
48	Xi'an Xinhe Xinyuan Project	International Port District	99.0%	107,647	265,867	263,208	Under construction
49	Xi'an Vanke Hyatt House	Weiyang District	50.0%	41,938	155,960	77,980	Pre-construction
50	Xining Park	Chengbei District	34.5%	110,939	277,348	95,685	Pre-construction
51	Xianyang Golden Mile Huafu Phase II	Qindu District	61.3%	14,033	88,915	54,505	Pre-construction
52	Yinchuan Vanke Metropolis	Jinfeng District	22.4%	95,936	211,450	47,365	Under construction
53	Zhengzhou Nanlong Lake	Mengzhuang Zhen	32.7%	76,934	230,801	75,472	Pre-construction
54	45 acres of plot in Xingyang Donglin Lake	Jiayu Zhen	50.4%	29,879	52,103	26,260	Pre-construction
55	126 acres of plot in Xingyang Donglin Lake	Jiayu Zhen	50.4%	83,999	151,000	76,104	Pre-construction
total				4,136,687	9,801,692	5,045,685	

Section 3 Directors' Report

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	Huizhou Vanke China Communications Golden Mile Huafu	Huicheng District	40.8%	111,564	345,848	141,106	Under construction
2	Zhuhai Maritime City	Jinwan District	99.6%	165,047	260,928	259,884	Pre-construction
3	Changzhou Huangliangbang No. 2 plot	Zhonglou District	99.3%	64,360	115,848	115,037	Pre-construction
4	Hangzhou Rainbow Sky City	Xiaoshan District	50.9%	106,532	170,451	86,760	Pre-construction
5	Jiaxing Puyue Lakeside	Economic Development Zone	24.1%	40,962	90,081	21,710	Under construction
6	Nantong Manyue Bay North Block	Haimen District	98.9%	35,469	63,844	63,142	Pre-construction
7	Suqian West Lake Metropolis	Economic Development Zone	32.0%	35,557	88,893	28,446	Pre-construction
8	Changchun Star City Project	Jingyue District	92.0%	307,388	685,920	631,046	Under construction
9	Qingdao Coast Blue Mountains	West Coast New Area	46.5%	20,000	50,000	23,250	Pre-construction
10	Qingdao Coast Vanke City Later Period	West Coast New Area	41.0%	86,944	234,749	96,247	Pre-construction
11	Shijiazhuang Mechanical and Technical School Project	Xinhua District	66.4%	13,909	33,108	21,984	Pre-construction
12	Shijiazhuang Zhengding Cultural Village Project Phase II	Zhengding New District	49.1%	44,136	90,920	44,642	Pre-construction
13	Shenyang Xichen Light	Tiexi District	92.3%	149,281	268,706	248,016	Pre-construction
14	Tangshan Jinyu Huafu Phase II Plot	Fengrun District	48.0%	47,403	52,143	25,029	Pre-construction
15	Tangshan Future City Project Phase II	High-tech Zone	53.6%	140,439	350,591	187,917	Pre-construction
16	72 Mu Project of Chongqing Congyan Temple	Yubei District	98.8%	47,742	71,614	70,755	Pre-construction
17	Chongqing Four Seasons Flower City Phase III	Liangjiang New District	98.2%	73,591	183,978	180,666	Pre-construction
18	Yichang Gangyao Road 185 Mu Project	Xiling District	99.3%	123,457	298,697	296,606	Pre-construction
19	Zhengzhou Bagua Temple Project	Erqi District	37.6%	23,438	70,167	26,383	Pre-construction
Total				1,637,219	3,526,486	2,568,626	

(2) Property services

As of the end of the Reporting Period, Vanke Service's total contract GFA reached 680 million sq m. Vanke Service had taken over an area of 520 million sq m. During the Reporting Period, 53 million sq m new construction area has been contracted by Vanke Service, and amongst them, 39 million sq m GFA were residential property service and 14 million sq m GFA were non-residential property service.

Vanke Service realized a revenue of RMB6.70 billion during the Reporting Period, a year-on-year growth of 26.8%. 55% of the revenue came from non-Vanke projects.

During the Reporting Period, Vanke Service accelerated the development of its "urban management services", a new business area, on the basis of its focus on residential property services and commercial property services. With new projects such as the Gulangyu Island Project of Xiamen and Town of Bullet Train Project of Qingdao, it has continued to expand the development of its urban space business. Its "urban management services" business has expanded to 7 cities up to now.

To better serve customers, reduce costs, improve efficiency, and conduct refined operations, Vanke Service is committed to the goal of total-space smart digital operation, connecting personnel, equipment, and commercial events in urban space, residential areas, commercial and park zones, and providing coordinated online and offline services.

(3) Property operations

① Rental housing

As of the end of the Reporting Period, the Group had unveiled a total of 127,000 units in 33 cities, amongst them, 18,900 units were opened during the Reporting Period.

The projects that had been available for rental reached a 88% overall occupancy rate, while mature projects (those had been unveiled for half a year or more) recorded an average occupancy rate of 93.7%. During the Reporting Period, the Group generated revenue of RMB1.05 billion from its rental housing business.

There are 57,700 units still under planning and construction.

Apartment projects owned and managed by the Group

City	Number of projects	Total number of units (unit: '0000)	Number of units available for rental (unit: '0000)
Shenzhen	139	7.25	6.23
Beijing	17	2.98	0.16
Guangzhou	33	1.02	0.93
Xiamen	16	0.70	0.56
Tianjin	15	0.68	0.47
Xi'an	12	0.65	0.52
Shanghai	18	0.58	0.33
Hangzhou	14	0.50	0.42
Foshan	8	0.50	0.30
Jinan	13	0.41	0.35
Dalian	18	0.40	0.22
Ningbo	6	0.32	0.23
Chengdu	11	0.32	0.20
Hefei	7	0.31	0.18
Changchun	12	0.27	0.21
Zhuhai	7	0.20	0.09
Shenyang	8	0.20	0.19
Fuzhou	11	0.19	0.16
Qingdao	6	0.16	0.16
Dongguan	7	0.16	0.14
Wuhan	3	0.13	0.12
Nanjing	5	0.12	0.12
Changsha	5	0.12	0.12
Suzhou	4	0.09	0.09
Nantong	1	0.05	0.05
Wuxi	1	0.03	0.03
Zhongshan	2	0.03	0.03
Xuzhou	2	0.03	0.03
Taiyuan	2	0.03	0.03
Yantai	2	0.03	0.03
Chongqing	2	0.02	0.02
Zhengzhou	1	0.01	0.01
Shijiazhuang	1	0.01	0.01
Total	409	18.50	12.73



Section 3 Directors' Report

The Group has made sustained efforts to build its youth apartment products focusing on “Port Apartment”. Laying emphasis on key services and service culture, the Group became the first to put in place service SOP (“Standard Operating Procedure”) for benchmark projects in Nanshan district of Shenzhen, Chengdu, and Shanghai. With an aim to improving the occupancy rate and customer satisfaction, the Group keeps improving the management quality of existing projects.

Under China’s housing system which encourages both renting and purchasing, the Group has been actively exploring the model of long-term rental apartments development and operation on collectively-owned land. Its Port Apartment Chengshousi Community project, the first rental housing project on collectively-owned land in Beijing, was officially went into the market in July 2020. Its five categories of theme apartments and four service systems catering to the needs of modern young people have been well received by the market, with all the 235 apartments of the phase-one project being rented out just 7 days before being unveiled.

② Retail property development and operations

As of the end of the Reporting Period, 8.36 million sq m retail property projects operated and managed by the Group (including SCPG) had been available for business, an increase of 11.1% year-on-year. During the Reporting Period, the Group launched one shopping mall (Taiyuan In-City), which covers an area of 106,100 sq m; it unveiled 4 community retail projects, which cover an area of 60,200 sq m.

During the Reporting Period, the revenue of commercial business (including associate and joint venture projects) was RMB3.05 billion, a year-on-year growth of 0.3%. The overall occupancy rate was 90.6%, among which that of retail projects unveiled for more than 3 years was 91.8%.

Furthermore, 5.43 million sq m retail property projects are under planning and construction.

Top ten retail property projects operated by the Group (including SCPG) (by revenue)

Name of the project	City	GFA (unit: square meter)	Occupancy	Revenue
			rate Jan.-Jun. 2020	(unit: RMB'0000) Jan.-Jun. 2020
Shanghai Qibao Vanke Plaza	Shanghai	237,193	95.7%	18,240.56
Shenzhen SCPG Center Shopping Plaza	Shenzhen	96,607	94.9%	15,268.87
Hangzhou Xixi In-City	Hangzhou	251,145	96.9%	12,175.42
Longgang Vanke Plaza	Shenzhen	128,925	95.5%	10,876.40
Tianjin Xiqing In-City	Tianjin	228,985	98.7%	8,023.35
Ningbo Yinzhou In-City	Ningbo	113,622	98.9%	7,182.27
Beijing In-City	Beijing	72,558	95.1%	6,799.68
Ji'nan In-City	Ji'nan	156,630	97.4%	6,638.29
Hangzhou Jinsha In-Ciy	Hangzhou	161,470	92.6%	5,420.91
Nanning In-City	Nanning	127,180	98.9%	5,410.55

During the Reporting Period, SCPG continued to conduct business innovation. Changsha In-City joined hands with its partners to transform the old property into a theme block full of trendy bars open around the clock, which was awarded the title of "Landmark Project of Urban Night Economy" by winshang.com; it improved its operation and management and enhanced its capacity in serving online malls, seeing the number of its members in the digital membership operation system exceeding 7 million. Meanwhile, it was actively exploring asset securitization. It successfully issued the second CMBS, named "Yinxiang No.2" in April 2020 with a coupon rate of 3.8%, the lowest among the CMBS products of the same rating and in the same period.

③ **Logistic and warehousing services**

As of the end of the Reporting Period, the total GFA went into operation for logistic and warehousing services amounted to 6.16 million sq m, including 5.82 million sq m of high-standard warehouses whose occupancy rate during the period of stable operation was 89.1% and 340,000 sq m of cold storages whose utilization rate during the period of stable operation was 81.5%. During the Reporting Period, 1.15 million sq m GFA of high-standard warehouse went into operation. The logistic and warehousing services extend to more than 850 customers, covering various fields such as e-commerce, express delivery, manufacturing, catering, retail and supermarket.

The GFA of logistic and warehousing under planning and construction amounted to 4.59 million sq m, amongst them 4.23 million sq m are high-standard warehouses, and 360 thousand sq m are cold storage.

During the Reporting Period, the projects managed by VX Logistic Properties (including associate and joint venture projects) generated an income of RMB830 million from the rental and services income, a year-on-year increase of 36.89%; among which RMB570 million was generated from the rental income of high-standard warehouses, and RMB260 million from the rental and service income of cold storages.

During the Reporting Period, VX Logistic Properties has made sustained efforts to improve its operating capability through lean management and information technology, and has actively explored asset operation. In June 2020, its first-phase of quasi-REITs product "VX Logistic Properties-E Fund Asset-Logistic and Warehousing Phase 1 Asset-backed Plan" was listed on the Shenzhen Stock Exchange successfully.

2. **Creating "good products and services" that customers are willing to buy**

Based on the purpose of "staying focused and persistent in enhancing product and service competitiveness", the Group initiated the "creating good products and services" program in the integrated residential areas during the Reporting Period. It specified the value of the Vanke's products and services and put forward an action plan.

Customers will care more about whether a housing product is good to their health in the aftermath of the COVID-19 outbreak. On the basis of the existing products, the Group has conducted studies with an aim to meeting customers' needs for a healthy living environment and released the Vanke Healthy Housing Standards, comprehensively improving the air, water and light quality in its housing projects.

3. Organizational building

The Group continues to deepen organizational restructuring and correspondence of responsible persons to related tasks to create a “vector organization, champion organization, and resilient organization” out of strategic requirements. Based on the consideration for overall coordination in organizational building, each BG and BU achieves the alignment of the organization and its strategy and correspondence of responsible persons to related activities through strategy decoding, organizational review, and ability structure, coupled with measures to lay off redundant staff, assign suitable tasks to responsible persons and promote staff mobility within the Group. The headquarters, taking into account the long-term work requirements, further iterates the organizational structure design and operation mechanism in an effort to develop itself into the Group headquarters that plays the single most important role and ensures the coordination within the entire Group.

4. Corporate social responsibilities

The Group always cares about the development of stakeholders and actively carries out corporate social responsibility. During the Reporting Period, the Group and the China Society for Promotion of the Guangcai Program continued to promote the project of “Guangcai & Vanke Targeted Poverty Alleviation and Rural Revitalization Special Fund”. The program supported education in five deeply impoverished counties of Guizhou and Gansu, Shouning of Fujian, and Zhaotong of Yunnan; pushed forward rural revitalization in Shanwei, Heyuan and Shaoguan of Guangdong; participated in “Poverty Alleviation Day” held by Shenzhen City and Guangdong Province respectively; and lent a helpful hand to Hechi and Baise of Guangxi and ethnic-minority-inhabited regions in Guangdong.

(3) Analysis of operations and financial position

1. Profit

During the Reporting Period, the Group realized a net profit of RMB18.63 billion, representing a decrease of 3.4%. Net profit attributable to equity shareholders of the Company amounted to RMB12.51 billion, representing a year-on-year increase of 5.6%. The fully diluted return on equity was 6.39%, down by 0.96 percentage point from that of the same period of 2019.

During the first half of the year, booked gross profit margin of the Group's property development and related asset operation business was 24.1%, down by 4.2 percentage points from that of 2019.

During the Reporting Period, the Group realized an investment income of RMB2.69 billion, representing an increase of 106.8% year-on-year, including the net profits from the associates and joint ventures attributable to Vanke's equity holding amounting to RMB1.71 billion.

2. Liabilities

(1) Gearing ratio

The Group continued to maintain a sound asset and debt structure. As at the end of the Reporting Period, net gearing ratio was 27.0%.

(2) Interest-bearing liabilities and their composition

As at the end of the Reporting Period, the Group's interest-bearing liabilities amounted to RMB272.98 billion, representing an increase of RMB15.13 billion from that at the beginning of the year and accounting for 15.1% of total assets.

These interest-bearing liabilities were mainly medium and long-term liabilities. Among them, short-term borrowings and interest-bearing liabilities due within one year amounted to RMB96.82 billion, representing 35.5% of total; interest-bearing liabilities of more than one year amounted to RMB176.16 billion, representing 64.5% of total.

By financing source, bank borrowings, bonds payable and other borrowings accounted for 55.8%, 25.5% and 18.7%, respectively.

By type of interest rates, liabilities with fixed interest rates accounted for 36.9% and liabilities with floating interest rates accounted for 63.1% of the interest-bearing liabilities. Pledged interest-bearing liabilities amounted to RMB4.19 billion, accounting for 1.5% of the total interest-bearing liabilities.

By geographical location, domestic liabilities and overseas liabilities accounted for 74.5% and 25.5% respectively. RMB liabilities and foreign currency liabilities accounted for 74.6% and 25.4%, respectively.

(3) Financing overview

The Group continued to optimize its debt structure through different kinds of financing instruments to reduce its financing costs.

During the Reporting Period, the Company issued three tranches of corporate bonds to qualified investors in public, with the issuance amount of RMB2.5 billion, RMB2.5 billion and RMB2.0 billion respectively.

During the first half of the year, the Group's actual interest expenses totalled RMB7.76 billion, of which the capitalised interest amounting to a total of RMB3.73 billion.

(4) Rating

During the Reporting Period, 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.

3. Capital position

During the Reporting Period, the Group achieved a net cash inflow from operations of RMB22.61 billion. As at the end of the Reporting Period, the cash and cash equivalents held by the Group amounted to RMB194.29 billion, which was much higher than the total current liabilities due within one year of RMB96.82 billion. Among the cash and cash equivalents, Renminbi accounted for 93.9%, whereas US dollar, Hong Kong dollar, British pound and other foreign currencies accounted for a total of 6.1%.

4. Risk of 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 businesses, the Group raised foreign currency funds abroad through various channels.

During the Reporting Period, the Group realized an exchange loss of approximately RMB260 million.

In order to constantly control the medium-and long-term fluctuation risks of the exchange rate, 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 was no new or expired hedging contract. During the effective period of the hedging contracts, the changes in the fair value of CCS had no impact on the Group's profit and loss.

5. Analysis of inventory

As at the end of the Reporting Period, the Group's inventory amounted to RMB937.56 billion, representing an increase of 4.0% from that at the end of 2019; of the aforesaid inventory, projects held for development amounted to RMB178.30 billion, accounting for 19.0%; properties under development amounted to RMB696.48 billion, accounting for 74.3%; and completed properties for sale (existing properties) amounted to RMB56.33 billion, accounting for 6.0%.

6. 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 mortgage being registered 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 RMB249.86 billion. The Group has not suffered any material loss due to the aforesaid guarantees. The Group is of the view that it does not need to make any provisions for such guarantees in the financial statements.

Section 3 Directors' Report

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

Unit: RMB'000

Item	30-Jun-2020	31-Dec-2019	Change	Description
Contract assets	5,051,655	3,444,938	46.64%	Growth in construction contracts
Other current assets	6,574,095	11,746,956	-44.03%	Redemption of wealth management products

Item	Jan-Jun 2020	Jan-Jun 2019	Change	Description
Other operating expenses	(583,038)	(893,919)	34.78%	Decrease in provision for doubtful debt
Share of profits less losses of associates and joint ventures	1,712,341	907,438	88.70%	Decrease in losses from joint ventures

(4) Future development prospects

The operating condition in the second half of the year is still complicated, and there are many uncertainties in both the COVID-19 epidemic and the macro economy. The Group will continue to "focus on product and service, deepen the organizational restructuring, and consolidate and improve our fundamentals" as the work theme of the year, and focus on each assignment below:

Every day is suitable for selling properties, insist on active selling;

Fully implement the quality products, services and projects, consolidate our fundamentals and improve our industry competitiveness;

Deepen lean operations and improve operational efficiency and effectiveness of each kind of business;

Improve investment quality, ensure our safety and flexibility in financing and support long-term quality development;

Continue to deepen organizational restructuring, matching of people, support quality products, services and projects, enhance organizational competitiveness and the development of services business.

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

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

Unit: RMB'000

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	98,758	approximately 0.04%	-	(3,550)	-
Total			98,758	approximately 0.04%	-	(3,550)	-

(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

No derivatives expired and CCS contributed a potential loss of RMB974,200 for the Company during this Reporting Period. 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	446,300.00	453,200.00	–	1.56%
CCS	1,608,964.42	1,633,853.89	(97.42)	5.61%
Total	2,055,264.42	2,087,053.89	(97.42)	7.17%

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

On 29 June 2020 (after trading hours of the SEHK), Guangzhou Vanke Real Estate Co., Ltd. ("Guangzhou Vanke"), a wholly-owned subsidiary of the Company, Guangzhou Wanxi Enterprise Management Co., Ltd. ("Guangzhou Wanxi"), a direct wholly-owned subsidiary of Guangzhou Vanke before the completion of the Guangzhou Wanxi Cooperative Agreement, and the Investor have entered into, among other things, the Guangzhou Wanxi Cooperative Agreement.

In accordance with the Guangzhou Wanxi Cooperative Agreement, Guangzhou Vanke will transfer its 50% equity in Guangzhou Wanxi ("Target Equity") to the Investor ("Cooperation") with the price of RMB7.04 billion (prepaid premium of RMB3.04 billion inclusive) as ("Target Equity") Consideration for the Cooperation ("Cooperation Consideration"). The market value of the Target Equity has been valued by an independent third-party asset appraisal company with the valuation method of asset-based approach. The Investor will provide a shareholder loan of RMB7.04 billion to Guangzhou Wanxi to repay part of the Group's borrowings previously provided to Guangzhou Wanxi and its subsidiaries, Guangzhou Wanxi will apply to financial institutions for a merger and acquisition loan of not more than RMB33.0 billion, of which RMB24.96 billion will be used to repay the Group's borrowings previously provided to Guangzhou Wanxi and its subsidiaries. The Group will be able to recover a total of RMB39.04 billion of funds.

If Guangzhou Wanxi, with all efforts, within five (5) years from the date of entering into the Guangzhou Wanxi Cooperative Agreement, strives as much as possible to obtain the approval documents of not less than 2.1098 million sq m of interested floor area from the related PRC authorities in respect of the Target Land, and receive no objection from the Investor, then Guangzhou Vanke can recognize the transfer of the prepaid premium of RMB3.04 billion into the same amount of equity premium of the Cooperation Consideration, the Group is expected to record an accumulative investment gain of approximately RMB3.479 billion from the Cooperation, and the profit attributable to the shareholders of the Company is approximately RMB2.610 billion.

Upon the completion of such Cooperation, the percentage of shareholding held by the Group in Guangzhou Wanxi will be reduced from 100% to 50% and Guangzhou Wanxi will cease to be a subsidiary of the Group, and its financial results will no longer be consolidated into the consolidated financial statements of the Group.

For details of the above content, please refer to the announcement titled "Discloseable Transaction – Entering into the Guangzhou Wanxi Cooperative Agreement" published by the Company on the website of SEHK on 29 June 2020.

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 2020

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 18.356 million sq m, accounted for 62.8% of the annual new construction plan. The Group also realized a completed construction floor area of 10.745 million sq m, accounted for 32.4% of the annual completion plan.



Section 3 Directors' Report

VIII. Events after the Reporting Period

No.	Date of announcement	Brief introduction of item
1	20 July 2020	The number of corporate bonds "17Vanke 01" sold back was 29,809,225, and the sale back amount was RMB2,980,922,500 (excluding interest). After this effective sale back, the number of remaining bonds unsold was 190,775. The Company decided to handle the resale of the re-sale bonds in accordance with relevant regulations from 21 July 2020 to 20 October 2020. The number of bonds to be resold shall not exceed 29,809,225.
2	3 August 2020	The number of corporate bonds "17Vanke 02" sold back was 9,999,997, and the sale back amount was RMB999,999,700 (excluding interest). After this effective sale back, the number of remaining bonds unsold was 3. The Company decided to handle the resale of the resale bonds in accordance with relevant regulations from 5 August 2020 to 4 November 2020. The number of bonds to be resold shall not exceed 9,999,997.



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 30 June 2020, the Company held the annual general meeting of 2019, the First A Shareholders Class Meeting of 2020 and the First H Shareholders Class Meeting of 2020 (collectively referred as the “Meetings”). The investors of A shares and H shares of the Company participated in the Meetings via on-site meeting and internet voting (only applicable to holders of A shares), with shareholding representing 59.15% of the total issued share capital with voting right for the annual general meeting, 59.39% of the total issued A-share capital with voting right for First A Shareholders Class Meeting of 2020, and 52.53% of the total issued H-share capital with voting right for First H Shareholders Class Meeting of 2020, respectively. For details of the Meetings, please refer to the announcement published on 30 June 2020.

(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 2020.

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 becoming 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.



Section 4 Significant Events

(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.

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.



Section 4 Significant Events

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.”


(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, regulations, 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.”



Section 4 Significant Events

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.

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 (connected) transactions involving investment in third parties

As at the end of the Reporting Period, the Company had the following major related party (connected) transactions of joint and external investment:

- 1) On 15 May 2020, Foshan City Vanke Property Company Limited ("Foshan Vanke"), a wholly-owned subsidiary of the Company, and Shenzhen Metro Property Group Co., Ltd., a wholly-owned subsidiary of SZMC ("Shenzhen Metro Property") proposed to jointly invest in the formation of a project company ("Project Company") to carry out project development and operation as the subject matter of the Project. Foshan Vanke and Shenzhen Metro Property own 51% and 49% equity interests of the Project Company, respectively. The Project Company would be a subsidiary of the Company. Both parties intend to contribute a total capital of not more than RMB6 billion to a land parcel in Foshan, Guangdong Province ("Project"). The registered capital of the Project Company is initially set at RMB1.656 billion. Foshan Vanke and Shenzhen Metro Property will make capital contributions of RMB845 million and RMB811 million, respectively. Foshan Vanke and Shenzhen Metro Property intend to provide approximately not exceeding RMB2.215 billion and RMB2.129 billion as shareholders' contributions to the Project Company, respectively. For details of the connected transaction, please refer to the announcement of the Company dated 15 May 2020 titled "Connected Transaction-Formation of Joint Venture and Intention to Provide Shareholders' Contributions."
- 2) On 29 June 2020, the Company and SZMC entered into a joint venture memorandum after friendly negotiation to strengthen strategic coordinations, realize mutual benefits, promote sustainable development of both parties and to accelerate the implementation of the "railway+property" model. Pursuant to the joint venture memorandum, the parties agreed to establish a joint venture to primarily invest in the major areas and major projects of new infrastructure and rail in Shenzhen and to explore the construction model of TOD large scale projects in the Guangdong-Hong Kong-Macau Greater Bay Area and other core cities. Pursuant to the joint venture memorandum, the parties will jointly establish a joint venture on the same right and equivalent investment basis. The registered capital of the joint venture is initially set at RMB1.0 billion, and the parties will each hold 50% equity interests. The parties shall make capital contributions in proportion to their respective equity interests in the joint venture as set out above. For details of the connected transaction, please refer to the announcement of the Company dated 29 June 2020 titled "Connected Transaction-Formation of Joint Venture".



Section 4 Significant Events

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 (RMB'0000)	Type of guarantee	Date when the guarantee began	Due date of the guarantee
1	Gain Pioneer Limited (100%)	China Vanke Co., Ltd.	453,200.00	Joint liability guarantee	2015/10/30	2020/10/30
2	Fozter Limited (100%)	China Vanke Co., Ltd.	53,481.14	Joint liability guarantee	2016/4/14	2021/4/14
3	Allied Glory Development Limited (100%)	Vanke Property (Hong Kong) Company Limited (100%)	138,017.98	Joint liability guarantee	2016/10/5	2021/4/19
4	Sinobird Holding Limited (100%)	Vanke Real Estate (Hong Kong) Company Limited (100%)	15,680.00	Joint liability guarantee	2018/3/28	Expect 2020/12/31
5	Hybest (BVI) Company Limited (100%)	Vanke Real Estate (Hong Kong) Company Limited (100%)	16,320.00	Joint liability guarantee	2018/3/29	Expect 2020/12/31
6	Malola Garden City Sdn Bhd (100%)	Vanke Property (Hong Kong) Company Limited (100%)	59,414.40	Joint liability guarantee	2019/3/26	2021/3/26
7	Allied Glory Development Limited (100%)	Vanke Property (Hong Kong) Company Limited (100%)	35,779.01	Joint liability guarantee	2019/11/14	2023/3/31
8	Chericourt Company Limited (75%)	Vanke Overseas Investment Holding Company Limited (75%)	90,640.00	Joint liability guarantee	2020/6/17	2021/6/17
9	Rugby Dragons (HK) Limited (40.95%)	Shenzhen Vanke Commercial Enterprise Property Service Company Limited (深圳萬物商企物業服務有限公司) (40.95%)	490.00	Joint liability guarantee	2020/5/12	2023/5/11
10	Guangzhou Huangpu Wenchong Urban Village Property Development Co., Ltd. (100%)	Guangzhou Vanke Real Estate Co., Ltd.(100%)	125,000.00	Joint liability guarantee	2020/5/6	2022/5/5
11	Shanghai Shenyang Investment Management Co., Ltd.(41%)	Shanghai Vanke Investment Company Limited(100%)	1,435.00	Joint liability guarantee	2016/12/16	2024/12/15
12	Guangzhou Huangpu Wenchong Urban Village Property Development Co., Ltd. (100%)	Guangzhou Vanke Real Estate Co., Ltd.(100%)	80,000.00	Joint liability guarantee	2017/8/4	2020/8/3
13	Shenzhen Senmao Land Co., Ltd.(100%)	Shenzhen Vanke Development Co., Ltd. (100%)	112,200.00	Joint liability guarantee	2017/9/15	2022/9/15
14	Shanghai Minhang District Vanke Bilingual School (100%)	Shanghai Vanke Real Estate Co. Ltd. (100%)	2,350.00	Joint liability guarantee	2017/12/27	2021/6/27
15	Shanghai Pudong New Area Private Vanke School (100%)	Shanghai Vanke Real Estate Co. Ltd. (100%)	8,996.00	Joint liability guarantee	2017/12/27	2021/6/27
16	Yunnan Chengjiang Eagle Tourist Resort Co.,Ltd. (36%)	Kunming Vanke Property Development Co.,Ltd.(100%)	40,511.00	Joint liability guarantee	2017/12/29	2022/12/28
17	Yunnan Chengjiang Eagle Tourist Resort Co.,Ltd. (36%)	Kunming Vanke Property Development Co.,Ltd.(100%)	46,908.00	Joint liability guarantee	2018/1/19	2023/1/19
18	Guangzhou Wanjin Real Estate Co., Ltd. (100%)	Guangzhou Vanke Real Estate Co., Ltd.(100%)	55,900.00	Joint liability guarantee	2018/1/18	2021/1/18
19	Vanke Service (Hong Kong) Co., Limited (63%)	Vanke Service Development Co, Ltd. (63%)	1,060.00	Joint liability guarantee	2018/4/27	2021/4/27
20	Hefei Bihe Real Estate Co., Ltd. (25%)	Hefei Vanke Property Co., Ltd. (100%)	20,975.00	Joint liability guarantee	2018/6/28	2021/6/28
21	Wuhan Jinwan Property Co., Ltd. (武漢金萬置業有限公司) (50%)	Wuhan Vanke Real Estate Company Limited(100%)	21,371.00	Joint liability guarantee	2018/10/10	2021/10/9

Section 4 Significant Events

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 (RMB'0000)	Type of guarantee	Date when the guarantee began	Due date of the guarantee
22	Beijing Hengyi Enterprise Management Co., Ltd. (北京恒益企業管理有限公司) (100%)	Beijing Vanke Enterprises Company Limited(100%)	323,400.00	Joint liability guarantee	2018/10/10	2023/12/31
23	Shanghai Shenyang Investment Management Co., Ltd. (41%)	Shanghai Vanke Investment Company Limited(100%)	516.19	Joint liability guarantee	2019/9/29	2027/9/28
24	Shanghai Shenyang Investment Management Co., Ltd.(41%)	Shanghai Vanke Investment Company Limited(100%)	1,763.00	Joint liability guarantee	2019/9/29	2027/9/28
25	Beijing Wangxiu Enterprise Consulting Management Company Co., Ltd. (北京萬啟 企業諮詢管理有限公司) (50%)	Guangzhou Vanke Real Estate Co., Ltd.(100%)	60,000.00	Joint liability guarantee	2019/11/22	2024/12/6
26	Chengdu Wanxing Industrial Town Real Estate Co., Ltd. (成都萬興產城置業有限公司) (99%)	China Vanke Co., Ltd.	210,000.00	Joint liability guarantee	2019/12/12	2026/12/12
27	Chengdu Wanlong Industrial Town Real Estate Co., Ltd. (成都萬隆產城置業有限公司) (99%)	China Vanke Co., Ltd.	130,000.00	Joint liability guarantee	2019/12/10	2026/12/10
28	Wuhan Yutianxinye Land Co., Ltd. (武漢譽天興業 置地有限公司) (99%)	China Vanke Co., Ltd.	262,500.00	Joint liability guarantee	2019/12/5	2026/12/5
29	Foshan Nanhai District Wanxuan Property Co., Ltd. (佛山市南海區萬軒房地產有限公司) (100%)	China Vanke Co., Ltd.	100,000.00	Joint liability guarantee	2019/12/12	2026/12/12

During the Reporting Period, the Company did not provide new guarantees. Its majority-owned subsidiaries provided RMB2.16 billion 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).

As at 30 June 2020, the outstanding amount of guarantees provided by the Company was RMB24.68 billion, accounting for 13.1% of the audited net assets attributable to equity shareholders of the Company as at the end of 2019. The outstanding amount of guarantees provided by the Company and its majority-owned subsidiaries for other majority-owned subsidiaries was RMB22.74 billion, while the outstanding amount of guarantees provided by the Company and its majority-owned subsidiaries for associates and joint ventures was RMB1.94 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 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 2019, the first A shareholders class meeting of 2020 and first H shareholders class meeting of 2020 held by the Company on 30 June 2020 due to other important business engagements at the same time. Multiple directors, supervisors and senior management of the 18th session of the Board and multiple candidates for directors of the 19th session of the Board and candidates for supervisors and senior management of the Company attended the meeting and had adequate communication and exchange with the shareholders of the Company.

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 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 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 2020 to 30 June 2020, 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.

Section 4 Significant Events

XVII. Significant events of the Company's subsidiaries

Nil.

XVIII. Details on the Company's investor meetings

During the Reporting Period, the Company received surveys by institutional investors such as securities companies and funds, and individual investors via phone conference and video conference, exchanged views on the Company's daily operations, development strategies and views on changes in industry, and provided public information based on periodic reports.

Type of meeting	Date	Location	Approach	Types of investors
2019 annual results presentation	2020.3	Online	Video conference	Investors including securities companies, funds, individual investors, etc.
CICC meeting	2020.3	Online	Telephone conference	Investors including securities companies, funds, etc.
J.P. Morgan meeting	2020.3	Online	Telephone conference	Investors including securities companies, funds, etc.
Sinolink Securities meeting	2020.3	Online	Telephone conference	Investors including securities companies, funds, etc.
DBS meeting	2020.3	Online	Telephone conference	Investors including securities companies, funds, etc.
China Merchants Securities Meeting	2020.3	Online	Telephone conference	Investors including securities companies, funds, etc.
Huatai Securities meeting	2020.3	Online	Telephone conference	Investors including securities companies, funds, etc.
CITIC Securities meeting	2020.6	Online	Telephone conference	Investors including securities companies, funds, etc.
UBS meeting	2020.6	Online	Telephone conference	Investors including securities companies, funds, etc.
Credit Suisse meeting	2020.6	Online	Telephone conference	Investors including securities companies, funds, etc.
Guangfa Securities meeting	2020.6	Online	Telephone conference	Investors including securities companies, funds, etc.
Huatai Securities meeting	2020.6	Online	Telephone conference	Investors including securities companies, funds, etc.
Citi meeting	2020.6	Online	Telephone conference	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
Securities companies	During the Reporting Period	Shenzhen, Chengdu, Nanjing, Hangzhou, Shanghai, Chongqing, Wuxi, etc.	Small group or one-on-one	CICC, Ping An Securities, Huatai Securities (Hong Kong), Nomura Securities, Haitong Securities, Guotai Junan Securities, Guangfa Securities, Okasan Securities, Orient Securities, Shenyin Wanguo, Sinolink Securities, Guosen Securities, Credit Suisse Founder Securities, Pacific Securities, CITIC Securities, Huatai Securities, China Merchants Securities, China Securities, Citi Research, JP Morgan, DBS, etc.
Funds and other investment companies and individual investors	During the Reporting Period	Shenzhen, Hangzhou, Nanjing, Ningbo, Yangzhou, Chengdu, Guangzhou, etc.	Small group or one-on-one	Blackrock · Value Partners Group, Segantii Capital Management, GIC, Millennium, Fidelity, E Fund, Zhongou Fund, JP Morgan Asset Management, Southern Fund, China AMC, Harvest Fund, BOCOM Schroders Fund, Baoying Fund, DaCheng Fund, UBS SDIC Fund, CPE Fund, Invesco Great Wall Fund, China Universal Fund, ICBC Credit Suisse Fund, Huaan Fund, Gaoyi Asset, ABC-CA Fund, Credit Suisse, CMB Wealth Management, Springs Capital, Shenzhen Fun An Fund, 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 2020)

Unit: Share

Classification of Share	31 December 2019		Changes (+,-)	30 June 2020	
	Quantity	Percentage of shareholding		Quantity	Percentage of shareholding
I. Restricted Shares					
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%	+855,108	9,881,598	0.085%
4. Shares held by foreign investors					
Total number of restricted shares	9,026,490	0.08%	+855,108	9,881,598	0.085%
II. Non-restricted Shares					
1. RMB-denominated ordinary shares	9,715,170,043	85.96%	-885,108	9,714,314,935	83.616%
2. Overseas listed foreign shares	1,577,946,468	13.96%	+315,589,200	1,893,535,668	16.299%
Total number of non-restricted shares	11,293,116,511	99.92%	+314,734,092	11,607,850,603	99.915%
III. Total Number of Shares	11,302,143,001	100.00%	+315,589,200	11,617,732,201	100.000%

Notes:

1. The Company issued a total of 315,589,200 new H shares on 11 June 2020. For details, please refer to the section "Issue and listing of securities".
2. The Company completed the election for a new session of the board of directors and the supervisory committee on 30 June 2020, which resulted in changes in restricted shares of directors and supervisors. For details, please refer to "Change in Restricted Shares during the Reporting Period" of this part.

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	held an office of Directors and Supervisors of the Company	In accordance with the Implementation Measures of the SZSE for Shareholding Reduction by Shareholders,
Xie Dong	1,118,059	-	-	1,118,059		
Que Dongwu	-	-	45,525	45,525		
Wang Wenjin	1,735,718	-	578,573	2,314,291	Directors, Supervisors and Senior Executives retired from their positions upon the expiry of their term of office	Directors, Supervisors and Senior Executives of Listed Companies"
Zhang Xu	678,029	-	226,010	904,039		
Zhou Qingping	15,000	-	5,000	20,000		
Total	9,026,490	-	855,108	9,881,598	-	-

(3) Issue and listing of securities✓Applicable Not applicable

On 16 March 2020, the Company has completed the issuance of corporate bonds (first tranche) of 2020 to qualified investors in public. This tranche of bonds are mainly divided into two varieties. Variety I is a 5-year term (with the issuer's call option at the end of the third year, coupon adjustment option and investors' put option), with an issue size of RMB1.5 billion and a final coupon rate of 3.02%. Variety II has a term of 7 years (with the issuer's call option at the end of the fifth year, coupon adjustment option and investors' put option), with an issue size of RMB1 billion and a final coupon rate of 3.42%.

On 19 May 2020, the Company has completed the issuance of corporate bonds (second tranche) of 2020 to qualified investors in public. This tranche of bonds are mainly divided into two varieties. Variety I is a 5-year term (with the issuer's call option at the end of the third year, coupon adjustment option and investors' put option), with an issue size of RMB1 billion and a final coupon rate of 2.56%. Variety II has a term of 7 years (with the issuer's call option at the end of the fifth year, coupon adjustment option and investors' put option), with an issue size of RMB1.5 billion and a final coupon rate of 3.45%.

On 11 June 2020, an aggregate of 315,589,200 new H shares, representing approximately 16.67% and 2.72% 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\$25.00 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 RMB315,589,200, the closing price as quoted on the Stock Exchange on 3 June 2020, being one day before the placing agreement, is HK\$26.25 per H Share. The aggregate gross proceeds from the placing will be approximately HK\$7.89 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\$24.92. The net proceeds from the placing will be used to repay the outstanding overseas debt financing of the Group, subject to the provisions of applicable laws, regulations and normative documents or other requirements of regulatory authorities on the use of proceeds and the net proceeds from the Placing will not be used for the development of domestic residential properties. If certain overseas debt(s) is due or need to be repaid before the net proceeds from Placing are fully received, the Company could repay such debt(s) with self-raised funds first, and then substituted by net proceeds from Placing after fully received. 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 11,617,732,201 Shares, among which, A Shares account for 9,724,196,533 Shares and H Shares account for 1,893,535,668 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.

On 19 June 2020, the Company has completed the issuance of corporate bonds (third tranche) of 2020 to qualified investors in public. The bonds are mainly divided into two varieties. Variety I is a 5-year term (with the issuer's call option at the end of the third year, coupon adjustment option and investors' put option), with an issue size of RMB0.8 billion and a final coupon rate of 3.20%. Variety II has a term of 7 years (with the issuer's call option at the end of the fifth year, coupon adjustment option and investors' put option), with an issue size of RMB1.2 billion and a final coupon rate of 3.90%.

Section 5

Change in Share Capital and Shareholdings of Major Shareholders

II. Information on Shareholders (As at 30 June 2020)

(1) Information on shareholders

Unit: Share

Total number of Shareholders as at 30 June 2020	406,789 (including 406,742 A Shareholders and 47 H Shareholders)	Total number of Shareholders as at 31 July 2020	461,713 (including 461,666 A Shareholders and 47 H Shareholders)
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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	27.91%	3,242,810,791	0	0	0
HKSCC NOMINEES LIMITED ¹	Foreign shareholder	16.30%	1,893,454,374	+315,576,100	0	0
Hong Kong Securities Clearing Company Limited	Foreign shareholder	4.30%	499,118,603	+10,760,060	0	0
Guosen Securities – Industrial and Commercial Bank of China – Guosen Jinpeng No.1 Classified Collective Asset	Others	3.93%	456,993,190	0	0	0
Dajia Life Insurance Co., Ltd. – Universal Life Product	Others	2.13%	247,720,833	-95,303,266	0	0
Central Huijin Asset Management Co., Ltd.	Domestic state-owned legal person	1.63%	189,566,000	0	0	0
CMS Wealth – CMB – De Ying No. 1 Specialised Asset Management Plan	Others	1.26%	146,255,820	-183,097,100	0	0
China Securities Finance Corporation Limited	Domestic state-owned legal person	1.14%	132,669,394	0	0	0
CLIC – Dividend – Personal Dividend -005L-FH002 SZ	Others	0.97%	113,249,670	+15,947,894	0	0
CLIC – Traditional – Ordinary Insurance Product -005L-CT001 SZ	Others	0.83%	96,877,422	+29,199,702	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	A Shares
HKSCC NOMINEES LIMITED	1,893,454,374	H Shares
Hong Kong Securities Clearing Company Limited	499,118,603	A Shares
Guosen Securities – Industrial and Commercial Bank of China – Guosen Jinpeng No.1 Classified Collective Asset	456,993,190	A Shares
Dajia Life Insurance Co., Ltd. – Universal Life Product	247,720,833	A Shares
Central Huijin Asset Management Co., Ltd.	189,566,000	A Shares
CMS Wealth – CMB – De Ying No. 1 Specialised Asset Management Plan	146,255,820	A Shares
China Securities Finance Corporation Limited	132,669,394	A Shares
CLIC – Dividend – Personal Dividend -005L-FH002 SZ	113,249,670	A Shares
CLIC – Traditional – Ordinary Insurance Product -005L-CT001 SZ	96,877,422	A Shares

Remarks on the related party relationship or action in concert of the aforementioned shareholders	“China Life Insurance Company Ltd. – Dividend – Personal Dividend -005L-FH002 SZ” and “China Life Insurance Company Ltd. – Traditional – Ordinary Insurance Product-005L-CT001SZ” belong to insurance products of China Life Insurance Company Ltd.. Besides, 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
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.
3. In August 2019, with the approval of China Banking and Insurance Regulatory Commission, AnBang Life Insurance Co., Ltd. was renamed as Dajia Life Insurance Co., Ltd. During the Reporting Period, Anbang Life Insurance Co., Ltd. – Conservative Investment Portfolio was renamed as Dajia Life Insurance Co., Ltd. – Universal Life Product.
4. In the above table, the total number of A shareholders on 30 June 2020 and 31 July 2020 refers to the number of shareholders after combining margin trading accounts.

As at 30 June 2020, the number of total issued Shares amounted to 11,617,732,201, of which the numbers of A shares and H shares amounted to 9,724,196,533 and 1,893,535,668 respectively.

(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.

Section 5

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 2020, 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/ Number of underlying shares	Nature of Interest (shares)	Types of Shares	Percentage of total issued A-Share capital	Percentage of total issued H-Share capital	Percentage of total issued share capital
SZMC	Beneficial owner	3,242,810,791	Long Position	A	33.35%	-	27.91%
BlackRock, Inc.	Interest of controlled corporations	118,218,868	Long Position	H	-	6.24%	1.02%
	Interest of controlled corporations	362,500	Short Position	H		0.02%	0.00%
JP Morgan Chase & Co.	Interest of controlled corporations	20,880,552	Long Position	H	-	1.10%	0.18%
	Interest of controlled corporations	17,826,646	Short Position	H	-	0.94%	0.15%
	Person holding a guaranteed interest in shares	465,347	Long Position	H	-	0.02%	0.00%
	Investment manager	55,381,116	Long Position	H	-	2.92%	0.48%
	Approved lending agent	23,181,269	Long Position	H	-	1.22%	0.20%
Citigroup Inc.	Interest of controlled corporation	263,918,786	Long Position	H	-	13.94%	2.27%
	Interest of controlled corporation	7,557,168	Short Position	H	-	0.40%	0.07%
	Approved lending agent	254,669,157	Long Position	H	-	13.45%	2.19%
GIC Private Limited	Investment manager	188,066,600	Long Position	H	-	9.93%	1.62%

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	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	2,314,291	2,314,291	0.0205%	0	0	0
Zhang Xu	Executive Director	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
Que Dongwu	Supervisor	-	60,700	0.0005%	0	0	0
Zhou Qingping	Supervisor	20,000	20,000	0.0002%	0	0	0
Total		12,035,320	12,096,020	0.1065%	0	0	0

Note:

- Mr. WANG Wenjin and Mr. ZHANG Xu ceased to be the directors and senior management of the Company since 30 June 2020 due to the expiration of their terms of office. Mr. ZHOU Qingping ceased to be a supervisor of the Company since 30 June 2020 due to expiration of his terms of office. Upon voting at the staff representative meeting of the Company, it was approved that Ms. QUE Dongwu was elected as a staff representative supervisor of the tenth session of the Supervisory Committee of the Company. For details, please refer to "2. Change in directors, supervisors and senior management during the Reporting Period" in this section.

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.

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:

Date	Details of changes
17 March 2020	Upon consideration and approval at the twenty-seventh meeting of the eighteenth Session of the Board, the Board agreed to appoint Ms. HAN Huihua as an Executive Vice President and Finance Principal of the Company. Director Mr. WANG Wenjin ceased to be the Executive Vice President and Finance Principal of the Company, and Director Mr. ZHANG Xu ceased to be the Executive Vice President and Chief Operation Officer of the Company.
7 April 2020	Upon consideration and approval at the Twenty-eighth meeting of the Eighteenth Session of the Board, the Board agreed to appoint Mr. WANG Haiwu as an Executive Vice President and Chief Operation Officer of the Company.
30 June 2020	At the Company's annual general meeting of 2019, by means of cumulative voting, Mr. HU Guobin, Mr. LI Qiangqiang, Mr. TANG Shaojie, Mr. WANG Haiwu, Mr. XIN Jie, Mr. YU Liang and Mr. ZHU Jiusheng (in alphabetical order of surnames) were elected as Non-independent Directors of the Nineteenth Session of the Board; Mr. KANG Dian, Ms. LIU Shuwei, Mr. NG Kar Ling, Johnny, and Mr. ZHANG Yichen (in alphabetical order of surnames) were elected as Independent Directors of the Nineteenth Session of the Board; Mr. LI Miao and Mr. XIE Dong (in alphabetical order of surnames) were elected as non-staff representative members of the Tenth Session of the Supervisory Committee. Upon voting at the staff representative meeting of the Company, it was approved that Ms. QUE Dongwu was elected as a staff representative supervisor of the tenth session of Supervisory Committee. Ms. QUE Dongwu formed the tenth session of the Supervisory Committee of the Company together with Mr. LI Miao and Mr. XIE Dong.



Section 6 Directors, Supervisors, Senior Management and Employees

Date	Details of changes
30 June 2020	<p>Mr. LIN Maode, Mr. LI Qiang, Mr. SUN Shengdian, Mr. CHEN Xianjun, Mr. WANG Wenjin and Mr. ZHANG Xu, members of the Eighteenth Session of the Board, retired from the positions as directors of the Company. Ms. ZHENG Ying, Mr. ZHOU Qingping, members of the Nineth Session of the Supervisory Committee will retire from the positions as supervisors of the Company. The Company would like to express its heartfelt gratitude to the aforementioned directors and supervisors, who were diligent and responsible during their term of office, for their contribution to standardized operation and healthy development of the Company.</p>
30 June 2020	<p>At the first meeting of the Nineteenth session of the Board, Mr. YU Liang was elected as the Chairman of the Board of the Company, Mr. ZHU Jiusheng was re-appointed as the President and Chief Executive Officer of the Company, Mr. WANG Haiwu was re-appointed as the Executive Vice President and Chief Operational Officer of the Company, Ms. HAN Huihua was re-appointed as the Executive Vice President and Financial Principal of the Company, and Ms. ZHU Xu was re-appointed as the secretary to the Board and Company Secretary of the Company until the expiry of the term of office of the Nineteenth Session of the Board. At the first meeting of the tenth session of Supervisory Committee, Mr. XIE Dong was elected as the Chairman of the tenth session of the Supervisory Committee.</p>

3. Employees

As at 30 June 2020, there were 133,455 employees on the Group's payroll. The average age of the employees was 31.8 and the average year of service was 2.4 years. Among which 87,316 employees were male, and 46,139 employees were female.

There were 17,433 employees engaged in the property development division. The average age of the staff working for this division was 31.7 and the average year of service was 3.2 years. In terms of education level, 0.3% held doctor's degree, 16.1% held master's degree, 61.5% held bachelor's degree. 22.1% had education below bachelor's degree, when 77.9% had education level with or above bachelor's degree.

There were 104,178 employees engaged in property services. The average age was 31.7 and the average year of service was 2.2 years. In terms of education level, 0.01% held a doctoral degree, 0.4% held a master's degree, 12.5% held a bachelor's degree. 87.1% had education level below bachelor's degree, while 12.9% had education level with or above bachelor's degree.

During the Reporting Period, the security staff of the Group's property service system has been assigned to the associated company, Shenzhen Wanyu Security Service Technology Co., Ltd. After deducting the number of transferred security staff, there were a total of 61,823 employees in the property service system. The average age was 32.3 years and the average year of service was 2.4 years. In terms of education level, 0.01% held a doctoral degree, 0.6% held a master's degree, 19.2% held a bachelor's degree. 80.2% had education level below bachelor's degree, while 19.8% had education level with or above bachelor's degree.

There were 11,844 employees engaged in the other divisions. The average age was 32.2 and the average year of service was 2.7 years. In terms of education level, 0.09% held doctor's degree, 5.9% held master's degree, 48.3% held bachelor's degree. 45.7% had education below bachelor's degree, when 54.3% 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 RMB7.13 billion.



Section 6 Directors, Supervisors, Senior Management and Employees

The Group always upholds the principle of “Talent is the most precious treasure for the Group” and continues to put in more efforts on training and managing talents. The Group has established decentralized colleges of various BG/BUs represented by the Headquarter Fendouzhe University, Pujiang Institute and School of Property Knowledge, and also developed a layered and classified talent training system with relevant provisions and procedures for the respective business and regional characteristics, constantly improving the professional skills of employees and expand their horizons and thinking. Based on the Group’s vision, Fendouzhe University regularly organizes projects such as “Mount Everest Action”, “Vanke Lecture Hall”, “Open Courses of the Group” and “Discover Vanke”, building a “Fun Learning” online learning platform, which will undergo continuous utilization and upgrade, to fully utilize the settled and passed-out wisdom and to continue to enrich the learning resources; and the various decentralized colleges have also established a comprehensive training programme to cover all the “three types of new employees” (i.e. new employees, new managers and new general managers), various business scenarios such as the development of professional lines in business design, engineering, marketing, customers and operational business such as property services, leased residences, and ski resort.

The Group upholds “humanitarianism” and believes that “people are the starting point of innovation and talents are the rivers of rationality”. Therefore, the Group is committed to “providing a stage for talents for each person with our cause” and creating self-challenge and opportunities for continuous learning and development of the challengers.

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
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%	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 (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

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. 2019 corporate bonds specialized in rental housing to qualified investors in public (second tranche)	19 Vanke 02	112976	25 September 2019 to 26 September 2019	26 September 2024	250,000	3.55%	
China Vanke Co., Ltd. 2020 corporate bonds to qualified investors in public (first tranche) (variety I)	20 Vanke 01	149056	13 March 2020 to 16 March 2020	16 March 2025	150,000	3.02%	
China Vanke Co., Ltd. 2020 corporate bonds to qualified investors in public (first tranche) (variety II)	20 Vanke 02	149057	13 March 2020 to 16 March 2020	16 March 2027	100,000	3.42%	
China Vanke Co., Ltd. 2020 corporate bonds to qualified investors in public (second tranche) (variety I)	20 Vanke 03	149123	18 May 2020 to 19 May 2020	19 May 2025	100,000	2.56%	
China Vanke Co., Ltd. 2020 corporate bonds to qualified investors in public (second tranche) (variety II)	20 Vanke 04	149124	18 May 2020 to 19 May 2020	19 May 2027	150,000	3.45%	
China Vanke Co., Ltd. 2020 corporate bonds to qualified investors in public (third tranche) (variety I)	20 Vanke 05	149141	18 June 2020 to 19 June 2020	19 June 2025	80,000	3.20%	
China Vanke Co., Ltd. 2020 corporate bonds to qualified investors in public (third tranche) (variety II)	20 Vanke 06	149142	18 June 2020 to 19 June 2020	19 June 2027	120,000	3.90%	

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", "19 Vanke 01" and "19 Vanke 02" 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. "20 Vanke 01", "20 Vanke 03", and "20 Vanke 05" 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. "20 Vanke 02", "20 Vanke 04", and "20 Vanke 06" were all attached with option for the Company to adjust coupon rate and option for investors to sell back at the end of the fifth year. During the Reporting Period, the options of "17 Vanke 01" and "17 Vanke 02" were executed, while options for other bonds were not exercised.

2. Bond trustee and credit rating institution

Bond trustee:

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

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

	China Cheng Xin International Credit Rating Co. Ltd.		Galaxy SOHO6, No. 2 Nanzhugan Hutong, Chaoyangmennei Avenue, Dongcheng District, Beijing
Name		Business address	

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 2020, 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 23 April 2020, China Chengxin International Credit 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 [2020] Gen Zong No. 0109), 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, second tranche) (Xin Ping Wei Han Zi [2020] Gen Zong No. 0106), and the Followup Credit Rating Report on China Vanke Co., Ltd. 2020 corporate bonds to qualified investors in public (first tranche) (Xin Ping Wei Han Zi [2020] Gen Zong No. 0108) (the "Three 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", "19 Vanke 01", "19 Vanke 02", "20 Vanke 01", and "20 Vanke 02".

Information on Corporate Bonds

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 the 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 30 June 2020, CITIC Securities Company Limited, through the Company, disclosed the Trustee Report on Corporate Bonds of China Vanke Co., Ltd. to Qualified Investors in Public (2019) on the website of CNINFO (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 2019, 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 2020, the Group had been granted by major lending banks lines of credit with an aggregate amount of RMB392.71 billion, RMB264.117 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 2020 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 2020 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, appearing as 'KPMG' with a stylized flourish at the end.

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
27 August 2020

Interim Financial Report Section 8

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020 – unaudited

	Note	Six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
Revenue	3(a)	146,349,507	139,320,077
Cost of sales		(99,797,572)	(88,833,209)
Gross profit		46,551,935	50,486,868
Other net income	4	2,721,865	2,410,769
Selling and marketing expenses		(3,184,895)	(3,186,524)
Administrative expenses		(6,307,735)	(7,039,568)
Other operating expenses		(583,038)	(893,919)
Profit from operations		39,198,132	41,777,626
Finance costs	5(a)	(4,519,524)	(4,859,882)
Share of profits less losses of associates and joint ventures		1,712,341	907,438
Profit before taxation		36,390,949	37,825,182
Income tax	6	(17,761,755)	(18,539,505)
Profit for the period		18,629,194	19,285,677
Attributable to:			
Equity shareholders of the Company		12,507,519	11,841,752
Non-controlling interests		6,121,675	7,443,925
Profit for the period		18,629,194	19,285,677
Earnings per share (RMB)			
Basic and diluted	7	1.11	1.06

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 2020 – unaudited

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Profit for the period	18,629,194	19,285,677
Other comprehensive income for the period		
<i>Item that will not be reclassified to profit or loss:</i>		
Equity investments at fair value through other comprehensive income ("FVOCI") – net movement in fair value reserves (non-recycling)	(689,757)	384,286
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of overseas subsidiaries	(2,008)	104,350
Cash flow hedge:		
Net movement in the hedging reserve	372,242	278,810
Other comprehensive income for the period	(319,523)	767,446
Total comprehensive income for the period	18,309,671	20,053,123
Attributable to:		
Equity shareholders of the Company	12,185,579	12,607,062
Non-controlling interests	6,124,092	7,446,061
Total comprehensive income for the period	18,309,671	20,053,123

The accompanying notes form part of this interim financial report.

Interim Financial Report Section 8

Condensed Consolidated Statement of Financial Position

At 30 June 2020 – unaudited

		At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
	Note		
Non-current assets			
Property, plant and equipment	8	29,648,732	29,697,926
Investment properties	9	100,472,116	94,521,281
Intangible assets		822,321	786,279
Interests in associates and joint ventures		128,191,645	130,475,768
Other financial assets		2,255,969	2,923,936
Other non-current assets	11	9,317,055	9,107,320
Deferred tax assets		25,884,209	23,427,586
		296,592,047	290,940,096
Current assets			
Inventories and other contract costs	12	937,556,883	901,807,080
Contract assets		5,051,655	3,444,938
Trade and other receivables	13	362,371,200	351,616,877
Other current assets		6,574,695	11,746,956
Pledged and restricted deposits		6,151,962	6,455,944
Cash and cash equivalents	14	188,139,501	159,738,651
Assets held for sale		3,822,234	4,252,755
		1,509,668,130	1,439,063,201
Current liabilities			
Trade and other payables	15	542,891,372	542,268,303
Contract liabilities		615,070,119	577,047,227
Bank loans and borrowings from financial institutions	16	81,742,833	81,822,781
Bonds payable	17	16,668,778	13,263,025
Lease liabilities		1,474,164	1,425,644
Current taxation		58,092,105	56,783,304
		1,315,939,371	1,272,610,284
Net current assets		193,728,759	166,452,917
Total assets less current liabilities		490,320,806	457,393,013

The accompanying notes form part of this interim financial report.

Section 8 Interim Financial Report

Condensed Consolidated Statement of Financial Position

At 30 June 2020 – unaudited

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Non-current liabilities			
Bank loans and borrowings from financial institutions	16	121,975,894	114,319,778
Bonds payable	17	54,185,248	49,645,513
Lease liabilities		21,395,616	21,277,366
Deferred tax liabilities		321,729	356,175
Provisions		165,438	149,629
Other non-current liabilities		1,020,774	1,065,436
		199,064,699	186,813,897
NET ASSETS		291,256,107	270,579,116
CAPITAL AND RESERVES			
	18		
Share capital		11,617,732	11,302,143
Reserves		184,000,013	176,756,349
Total equity attributable to equity shareholders of the Company		195,617,745	188,058,492
Non-controlling interests		95,638,362	82,520,624
TOTAL EQUITY		291,256,107	270,579,116

Approved and authorised for issue by the board of directors on 27 August 2020.

Zhu Jiusheng
Director

Wang Haiwu
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 2020 – unaudited

Attributable to equity shareholders of the Company											
Note	Share capital	Share premium	Statutory reserves	Exchange reserve	Hedging reserve	Fair value reserve	Other reserves	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2020	11,302,143	15,582,180	70,826,254	(1,700,462)	92,776	(195,719)	(3,200,716)	95,352,036	188,058,492	82,520,624	270,579,116
Changes in equity for the six months ended 30 June 2020											
Profit for the period	-	-	-	-	-	-	-	12,507,519	12,507,519	6,121,675	18,629,194
Other comprehensive income	-	-	-	(4,425)	372,242	(689,757)	-	-	(321,940)	2,417	(319,523)
Total comprehensive income	-	-	-	(4,425)	372,242	(689,757)	-	12,507,519	12,185,579	6,124,092	18,309,671
Dividends approved in respect of the previous year 18(b)											
	-	-	-	-	-	-	-	(11,810,739)	(11,810,739)	-	(11,810,739)
Capital contribution from non-controlling interests											
	-	-	-	-	-	-	-	-	-	11,956,915	11,956,915
Acquisitions of subsidiaries											
	-	-	-	-	-	-	-	-	-	3,225,009	3,225,009
Acquisitions of additional interest in subsidiaries											
	-	-	-	-	-	-	(18,801)	-	(18,801)	(3,417)	(22,218)
Disposals of interest in subsidiaries											
	-	-	-	-	-	-	37,919	-	37,919	1,807,050	1,844,969
Disposals of subsidiaries											
	-	-	-	-	-	-	-	-	-	(712,566)	(712,566)
Dividends declared to non-controlling interests											
	-	-	-	-	-	-	-	-	-	(6,522,054)	(6,522,054)
Capital reduction of subsidiaries											
	-	-	-	-	-	-	-	-	-	(2,757,291)	(2,757,291)
Issue of shares on placing											
	315,589	6,849,706	-	-	-	-	-	-	7,165,295	-	7,165,295
Balance at 30 June 2020	11,617,732	22,431,886	70,826,254	(1,704,887)	465,018	(885,476)	(3,181,598)	96,048,816	195,617,745	95,638,362	291,256,107

The accompanying notes form part of this interim financial report.

Section 8 Interim Financial Report

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020 – unaudited

	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Statutory reserves	Exchange reserve	Hedging reserve	Fair value reserve	Other reserves	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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	-	-	-	-	-	-	-	(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

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 2020 – unaudited

	Note	Six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
Operating activities			
Cash generated from operations		47,169,541	38,476,764
Income tax paid		(24,563,579)	(29,623,653)
Net cash generated from operating activities		22,605,962	8,853,111
Investing activities			
Acquisitions of property, plant and equipment and investment properties		(2,359,704)	(3,379,589)
Other cash flows arising from/(used in) investing activities		3,518,527	(4,341,103)
Net cash generated from/(used in) investing activities		1,158,823	(7,220,692)
Financing activities			
Dividends and interest paid		(10,111,558)	(12,687,758)
Other cash flows arising from/(used in) financing activities		14,645,852	(31,302,589)
Net cash generated from/(used in) financing activities		4,534,294	(43,990,347)
Effect of foreign exchange rate changes		101,771	84,969
Net increase/(decrease) in cash and cash equivalents		28,400,850	(42,772,959)
Cash and cash equivalents at 1 January	14	159,738,651	175,668,164
Cash and cash equivalents at 30 June	14	188,139,501	132,895,205

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 report (“**interim financial report**”) as at and for the six months ended 30 June 2020 comprise the Company and its subsidiaries (together referred to as the “**Group**”) and the Group’s interests in associates and joint ventures. The Group’s principal activities are development and sale of properties in the PRC.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”), including compliance with 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 Directors on 27 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 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 report contains 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 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with 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 66.



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(Expressed in thousands in Renminbi unless otherwise indicated)

2 Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- *Amendments to IFRS 3, Definition of a Business*
- *Amendment to IFRS 16, Covid-19-Related Rent Concessions.*

Other than the amendment to IFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

Amendments to IFRS 3, Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional “concentration test” that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020.

Amendment to IFRS 16, Covid-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“COVID-19-related rent concessions”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

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

(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	
	2020	2019
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Sales of properties	131,404,011	128,471,989
Property management and related services	6,698,359	5,282,541
Construction contracts	4,406,665	2,672,157
Other services	1,219,625	799,651
	143,728,660	137,226,338
Revenue from other sources		
Gross rentals from investment properties	2,620,847	2,093,739
	146,349,507	139,320,077

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

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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 2020						
Revenue from external customers before tax	16,251,046	37,445,765	44,622,709	40,324,218	6,698,359	145,342,097
Inter-segment revenue	64,602	16,812	122,891	111,200	1,092,590	1,408,095
Reportable segment revenue, before tax	16,315,648	37,462,577	44,745,600	40,435,418	7,790,949	146,750,192
Reportable segment profit	2,034,833	5,016,989	9,971,033	8,625,516	626,076	26,274,447
Reportable segment assets	376,940,556	405,511,131	419,483,073	363,172,062	15,688,613	1,580,795,435

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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	
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

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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, Harbin, Zibo, Weihai, Xiong'an, etc	Shenzhen, Guangzhou, Qingyuan, Dongguan, Foshan, Zhuhai, Zhongshan, Changsha, Xiamen, Fuzhou, Sanya, Nanning, Putian, Liuzhou, Quanzhou, Jinjiang, Jiangmen, Zhangzhou, Huizhou, etc	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, Ma'anshan, Huzhou, Jiangyin, etc	Chengdu, Wuhan, Xi'an, Chongqing, Kunming, Guiyang, Urumqi, Nanchong, Zhengzhou, Lanzhou, Yichang, Weinan, Yuxi, Yinchuan, Xining, Xishuangbanna, Dali, Ezhou, Xichang, Meishan, Xianyang, Zhoukou, etc

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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	
	2020	2019
	RMB'000	RMB'000
Revenue		
Reportable segment revenue before tax	146,750,192	139,634,751
Elimination of inter-segment revenue	(1,408,095)	(1,083,998)
Unallocated revenue	1,007,410	769,324
Consolidated revenue	146,349,507	139,320,077
Profit		
Reportable segment profit	26,274,447	30,118,324
Elimination of inter-segment profit	(308,828)	(653,018)
Share of profits less losses of associates and joint ventures	1,712,341	907,438
Dividend income	24,233	53,137
Other income	1,355,912	597,681
Other unallocated operating expenses	(487,075)	(439,244)
Unallocated expenses	(2,120,586)	(2,858,334)
LAT	9,940,505	10,099,198
Consolidated profit before taxation	36,390,949	37,825,182
Assets		
Reportable segment assets	1,580,795,435	1,469,847,024
Elimination of inter-segment receivables	(491,392,973)	(461,047,109)
Unallocated assets	716,857,715	568,330,929
Consolidated assets	1,806,260,177	1,577,130,844

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Notes to the Unaudited Interim Financial Report

(Expressed in thousands in Renminbi unless otherwise indicated)

4 Other net income

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Interest income	1,605,317	1,453,983
Dividend income	24,233	53,137
Forfeited deposits and compensation from customers	174,536	160,278
Net gain on disposals of subsidiaries, joint ventures and associates	568,099	109,189
Net loss on disposals of other financial assets	(3,879)	–
Net gain on disposal of other current assets	388,612	230,809
Net gain/(loss) on disposals of property, plant and equipment	2,344	(8,547)
Fair value changes	27,200	(43,018)
Net exchange (loss)/gain	(263,597)	305,968
Others	199,000	148,970
	2,721,865	2,410,769

5 Profit before taxation

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

(a) Finance costs

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Borrowings costs	7,762,953	7,020,707
Less: Borrowing costs capitalised into inventories, investment properties and construction in progress	(3,727,941)	(2,644,281)
Interest on lease liabilities	484,512	483,456
	4,519,524	4,859,882

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Notes to the Unaudited Interim Financial Report

(Expressed in thousands in Renminbi unless otherwise indicated)

5 Profit before taxation (continued)

(b) Staff costs

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Salaries, wages and other benefits	6,959,873	7,535,895
Contributions to defined contribution plans	171,919	463,537
	7,131,792	7,999,432

(c) Other items

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Depreciation and amortisation	3,193,027	3,090,271
Cost of inventories	89,420,646	81,486,329
Project management fee charged to associates and joint ventures	(707,106)	(399,546)

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Notes to the Unaudited Interim Financial Report

(Expressed in thousands in Renminbi unless otherwise indicated)

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Current tax		
Provision for PRC Corporation Income Tax ("CIT"), Hong Kong Profits Tax and U.S. income tax	9,802,608	12,359,785
Provision for Land Appreciation Tax ("LAT")	9,940,788	10,109,321
Withholding tax	197,890	175,092
	19,941,286	22,644,198
Deferred tax		
Origination and reversal of temporary differences	(2,179,531)	(4,104,693)
	17,761,755	18,539,505

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Notes to the Unaudited Interim Financial Report

(Expressed in thousands in Renminbi unless otherwise indicated)

7 Earnings per share ("EPS")

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB12,507,519,000 (six months ended 30 June 2019: RMB11,841,752,000) and weighted average of 11,302,143,001 ordinary shares (six months ended 30 June 2019: 11,126,815,668) shares in issue during the period, calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30 June	
	2020	2019
	No. of shares ('000)	No. of shares ('000)
Issued ordinary shares at 1 January	11,302,143	11,039,152
Effect of shares issued	–	87,664
Weighted average number of ordinary shares	11,302,143	11,126,816

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

As disclosed in note 18(a), the Company issued 315,589,200 new H shares in June 2020 under general mandate through a placement, which was not included in the calculation of weighted average number of ordinary shares for the current accounting period because the completion of placement was close to 30 June 2020.

8 Property, plant and equipment

During the six months ended 30 June 2020, the Group's property, plant and equipment decreased by RMB49,194,000 (six months ended 30 June 2019: increased by RMB4,411,006,000).

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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
Cost:		
At 1 January 2020	70,325,985	31,502,488
New leases	447,652	–
Additions of construction costs	–	1,875,039
Change in consolidation scope	(1,604,555)	6,155,136
Transfer from inventories	797,990	–
Exchange adjustment	(25,711)	–
Transfer upon completion	4,364,105	(4,364,105)
Lease termination	(238,486)	–
At 30 June 2020	74,066,980	35,168,558
Accumulated depreciation:		
At 1 January 2020	5,681,074	–
Change in consolidation scope	(239,802)	–
Charge for the period	1,722,478	–
Exchange adjustment	461	–
Lease termination	(26,907)	–
At 30 June 2020	7,137,304	–
Impairment:		
At 1 January 2020	131,140	1,494,978
Charge for the period	–	–
At 30 June 2020	131,140	1,494,978
Net book value at 30 June 2020	66,798,536	33,673,580

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Notes to the Unaudited Interim Financial Report

(Expressed in thousands in Renminbi unless otherwise indicated)

10 Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Notes	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Property, plant and equipment, carried at depreciated cost			
– leasehold land	(i)	4,621,070	4,674,983
– leased properties for own use	(ii)	1,618,010	1,178,757
		6,239,080	5,853,740
Investment properties, carried at depreciated cost			
– leasehold land	(i)	37,772,879	31,921,030
– leased properties to earn rental income	(ii)	20,255,867	20,956,603
		58,028,746	52,877,633
		64,267,826	58,731,373

(i) Leasehold land

The principal activities of the Group are development and sale of properties in the PRC. The acquisition cost of interests in leasehold land for property development for sale in the ordinary course of business are presented in 'inventory'. The interests in leasehold land which are held to earn rental income and/or for capital appreciation are presented in 'investment properties'. The Group presents interests in leasehold land that do not meet the definition of inventory or investment property in 'property, plant and equipment'.

(ii) Leased properties

The Group has obtained the right to use properties for its own use or earn rental income through tenancy agreements. The leases typically run for an initial period of 10 to 20 years.

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11 Other non-current assets

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Prepayments for acquisitions and properties development	7,248,618	7,199,762
Others	2,068,437	1,907,558
	9,317,055	9,107,320

Note: The balance mainly included payments for land development projects for the purpose of acquisition of land and other properties development.

12 Inventories and other contract costs

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Properties held for development	178,296,612	207,609,238
Properties under development	696,480,828	622,292,297
Completed properties for sale	56,333,600	66,034,463
Others	1,070,933	1,156,885
	932,181,973	897,092,883
Other contract costs	5,374,910	4,714,197

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13 Trade and other receivables

	Notes	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Trade receivables, net of loss allowance	(a)	2,693,828	2,017,046
Other receivables, net of loss allowance		124,392,176	120,920,746
Prepayments, net of loss allowance		124,871,971	113,802,566
Amounts due from associates	(b)	40,525,423	39,832,862
Amounts due from joint ventures	(b)	68,962,356	74,711,399
Derivative financial instruments		925,446	332,258
		362,371,200	351,616,877

Notes:

- (a) As at the end of the Reporting Period, the ageing analysis of trade receivables, based on the date the trade receivables recognised and net of loss allowance, is as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Within 1 year	2,018,006	1,346,353
1 to 3 years	516,533	523,879
Over 3 years	159,289	146,814
	2,693,828	2,017,046

- (b) The amounts due from associates and joint ventures as at 30 June 2020 include amounts of RMB12,396 million (2019: RMB29,069 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 RMB378 million in the Reporting Period (six months ended 30 June 2019: RMB526 million). The remaining amounts due from associates and joint ventures are unsecured, interest-free and repayable on demand.

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14 Cash and cash equivalents

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Cash at bank and on hand	188,139,501	159,738,651

As at the end of the Reporting Period, bank deposit balances amounted to RMB523 million (2019: RMB418 million) were held with Huishang Bank, an associate of the Group.

15 Trade and other payables

	Notes	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Trade creditors and bills payable	(a)	266,049,347	268,222,145
Other payables and accruals	(b)	197,139,651	191,062,757
Amounts due to associates	(c)	23,911,278	23,978,900
Amounts due to joint ventures	(c)	54,949,974	58,233,719
Receipts in advance		840,366	770,782
Derivative financial instruments		756	-
		542,891,372	542,268,303

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15 Trade and other payables (continued)

Notes:

- (a) An amount of RMB4,664 million (31 December 2019: RMB4,613 million) included in trade and other payables is expected to be settled after one year.

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

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Current or payable on demand	261,385,039	263,609,176
Due after one year	4,664,308	4,612,969
Total	266,049,347	268,222,145

- (b) Other payables and accruals include advance from non-controlling shareholders of subsidiaries and other parties for the respective property development projects. These balances, except for an amount of RMB6,864 million (31 December 2019: RMB8,475 million) which are interest-bearing at market rate, are interest-free, unsecured and repayable on demand.
- (c) The amounts of RMB5,287 million (31 December 2019: RMB7,054 million) due to associates and joint ventures are interest-bearing at market rate, unsecured and repayable on demand. The interest expenses for the period amounted to RMB131 million (six months ended 30 June 2019: RMB91 million). The remaining amounts due to associates and joint ventures are unsecured, interest free and repayable on demand.

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16 Bank loans and borrowings from financial institutions

	At 30 June 2020		
	Bank loans RMB'000	Borrowings from financial institutions RMB'000	Total RMB'000
Current			
Secured	7,278,048	–	7,278,048
Unsecured	58,798,481	15,259,974	74,058,455
Interest payables	334,126	72,204	406,330
	66,410,655	15,332,178	81,742,833
Non-current			
Secured	11,563,591	–	11,563,591
Unsecured	74,689,924	35,722,379	110,412,303
	86,253,515	35,722,379	121,975,894

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16 Bank loans and borrowings from financial institutions (continued)

	At 31 December 2019		
	Bank loans RMB'000	Borrowings from financial institutions RMB'000	Total RMB'000
Current			
Secured	2,488,595	–	2,488,595
Unsecured	58,285,645	20,632,200	78,917,845
Interest payables	361,714	54,627	416,341
	61,135,954	20,686,827	81,822,781
Non-current			
Secured	17,451,066	–	17,451,066
Unsecured	62,184,852	34,683,860	96,868,712
	79,635,918	34,683,860	114,319,778

The secured bank loans are secured with certain inventories, investment properties, other non-current assets with aggregate carrying value of RMB16,859 million (2019: RMB20,332 million) or pledged by the shares of equity interest in certain subsidiaries of the Group.

At 30 June 2020 and 31 December 2019, non-current interest-bearing loans and borrowings were repayable as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
After 1 year but within 2 years	16,529,497	23,516,204
After 2 years but within 5 years	103,272,635	87,131,488
After 5 years	2,173,762	3,672,086
	121,975,894	114,319,778

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17 Bonds payable

		At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Current			
Bonds issued under			
Super short-term Commercial Paper ("SCP") Programme	(a)	500,000	500,000
RMB Corporate Bonds	(b)	8,992,946	8,988,192
RMB Medium Term Note ("MTN") Programme	(c)	5,991,052	2,992,301
Interest payables		1,184,780	782,532
		16,668,778	13,263,025
Non-current			
Bonds issued under MTN Programme	(d)	34,236,749	33,704,352
RMB Corporate Bonds	(b)	14,966,679	7,977,740
RMB MTN Programme	(c)	4,981,820	7,963,421
		54,185,248	49,645,513
		70,854,026	62,908,538

Notes:

- (a) In 2019, the Group issued notes of RMB500 million under the SCP Programme which are listed on the National Association of Financial Market Institution Investors in the PRC. This bond bears fixed interest rate of 3.18% per annum, is unsecured and repayable within one year.
- (b) The Company was approved by the China Securities Regulatory Commission ("CSRC") for public issuance of corporate bonds not exceeding RMB26 billion to qualified investors. These bonds are unsecured and interest-bearing at 2.56% to 4.54% per annum. At 30 June 2020, RMB11,274 million of non-current bonds are repayable after 2 years but within 5 years and RMB3,693 million of which are repayable after 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 are unsecured and interest-bearing at 3.20% to 4.60% per annum. At 30 June 2020, RMB4,982 million of non-current bonds issued under the programme are repayable after 1 year but within 2 years.
- (d) Vanke Real Estate Hong Kong ("VREHK"), a wholly owned subsidiary of the Group, established a MTN Programme which is listed on the Stock Exchange of Hong Kong. These bonds are unsecured and interest-bearing at 2.95% to 5.35% per annum. At 30 June 2020, RMB2,052 million of non-current bonds issued under the Programme are repayable after 1 year but within 2 years, RMB23,055 million of which are repayable after 2 year but within 5 years, and RMB9,130 million of which are repayable after 5 years.

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18 Capital, reserves and dividends

(a) Share capital

Issued share capital

	No. of shares (‘000)	Share Capital RMB‘000
A shares – registered, issued and fully paid of RMB1 each:		
At 1 January and 30 June 2020	9,724,197	9,724,197
H shares – registered, issued and fully paid of RMB1 each:		
At 1 January 2020	1,577,946	1,577,946
Shares issued	315,589	315,589
At 30 June 2020	1,893,535	1,893,535
Total issued shares		
At 30 June 2020	11,617,732	11,617,732

Included in the A shares are 9,881,598 shares (31 December 2019: 9,026,490 shares) with restriction to transfer.

On 11 June 2020, the Company issued 315,589,200 new H shares under general mandate through a placement. The aggregate gross proceeds from the placing are approximately RMB7,188 million and the aggregate net proceeds (after deducting all applicable costs and expenses, including commission and legal fees) from the placing are approximately RMB7,165 million. The share capital has increased by RMB315,589,200, while RMB6,850 million were credited to share premium.

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

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

	Six months ended 30 June	
	2020	2019
	RMB‘000	RMB‘000
Final dividend in respect of the previous financial year, approved during the period, of RMB1.016613 per share (2019: RMB1.045102 per share)	11,810,739	11,811,893

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19 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 2020

Items	Fair value at 30 June 2020	Fair value measurements as at 30 June 2020 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Derivative financial instruments:				
– Cross Currency Interest Rate Swap ("CCS") contracts	925,446	–	925,446	–
Unlisted equity securities	686,600	–	–	686,600
Non-trading listed securities	1,569,369	1,569,369	–	–
Other current assets*	6,556,862	–	–	6,556,862
Recurring fair value measurement assets	9,738,277	1,569,369	925,446	7,243,462
Recurring fair value measurement liabilities				
Derivative financial instruments:				
– Interest Rate Swap ("IRS") contracts	(756)	–	(756)	–
Non-recurring fair value measurement assets				
Assets held for sale	3,822,234	–	–	3,822,234

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19 Financial instruments measured at fair value (continued)

Fair value hierarchy (continued)

31 December 2019

Items	Fair value at 31 December 2019	Fair value measurements as at 31 December 2019 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Derivative financial instruments:				
– CCS contracts	327,380	–	327,380	–
– IRS contracts	4,878	–	4,878	–
Unlisted equity securities	575,783	–	–	575,783
Trading securities	98,199	98,199	–	–
Non-trading listed securities	2,249,954	2,249,954	–	–
Other current assets*	11,735,265	–	–	11,735,265
Recurring fair value measurement assets	14,991,459	2,348,153	332,258	12,311,048
Non-recurring fair value measurement assets				
Assets held for sale	4,252,755	–	–	4,252,755

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 2020 and 31 December 2019.

* Other current assets measured at fair value represents the Group's investments in wealth management products, which were measured at fair value through profit and loss, and the fair value is determined by calculating based on the discounted cash flow method.

During the six months ended 30 June 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2019: nil).

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20 Commitments

Capital commitments outstanding at 30 June 2020 not provided for in the interim financial report were as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Construction and development contracts	188,453,944	176,250,227
Land agreements	19,971,245	20,044,042
	208,425,189	196,294,269

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

21 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 RMB249,858 million (31 December 2019: RMB228,152 million), which will be terminated upon the completion of the transfer procedures with the buyers in respect of the legal title of the properties.

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.

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22 Material related party transactions

Except for transactions disclosed in other parts of the interim financial report, the details of other material related party transactions are as follows:

(a) Transactions with key management personnel

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Short-term employee benefits	5,606	6,521

(b) Financial guarantees issued

As at 30 June 2020, the Group provided certain guarantees to secure the loans borrowed by certain associates and joint ventures. The outstanding guarantees amounted to RMB1,935 million (31 December 2019: RMB2,381 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) Transactions with a shareholder

In 2015, the Group cooperated with the Shenzhen Metro Group Co., Ltd (“**Shenzhen Metro Group**”) to jointly develop Mangrove Bay and Shenzhen North Station Project (“**the Projects**”). At 30 June 2020, the Group’s investment in the Projects amounted to RMB5,993 million (31 December 2019: RMB5,993 million) and the outstanding payables balances was RMB10,383 million (31 December 2019: RMB10,097 million).

During June 2020, the Group set up Foshan Nanhai Wantie Property Development Co., Ltd. together with Shenzhen Metro Property Co., Ltd., a wholly-owned subsidiary of Shenzhen Metro Group, as a non-controlling shareholder, to jointly develop Foshan Nanhai New Transport Depot Upper Cover Project. As at 30 June 2020, the Group’s investment in the project amounted to RMB1.2 billion.

(d) Security service fee paid by the Group

During the period, the Group paid security service fee amounted to RMB1,690 million (2019:Nil) to Shenzhen Wanyu Security Service Technology Co., Ltd., an associate of the Group.



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23 Non-adjusting events after the Reporting Period

The Group has no material non-adjusting event after the Reporting Period.

24 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:

	At 30 June 2020 RMB'000
Current assets	41,419,821
Non-current assets	556,817
Current liabilities	(34,236,073)
Non-current liabilities	(766,606)
Non-controlling interests	(3,225,009)
Net assets acquired attributable to the Group	3,748,950

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.

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25 Disposal of subsidiaries

During the period, the Group has disposed certain subsidiaries which mainly held 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:

	At 30 June 2020 RMB'000
Current assets	4,803,428
Non-current assets	516,136
Current liabilities	(4,199,410)
Non-controlling interests	(712,566)
Remaining interest after disposal as interest in joint ventures and associates	(33,400)
Net assets attributable to the Group disposed of	374,188