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CHINA VANKE CO., LTD

A-Share Stock Option Incentive Scheme For Year 2010 (Draft)

October 2010

Special Notes

1. The A-Share Stock Option Incentive Scheme For Year 2010 (the "Scheme" or "Stock Option Scheme") of China Vanke Co., Ltd. ("China Vanke" or the "Company") is prepared in accordance with the requirements of "The Company Law of the People's Republic of China", "The Securities Law of The People's Republic of China", "Measures for the Administration of Equity Incentive Plans of Listed Companies (Provisional)", "Memorandum of Understanding No. 1-3 on Matters Regarding Equity Incentives) and other relevant laws, regulations and "Articles of Association" of the Company.

2. The Company uses stock option as a long-term incentive instrument. Each stock option granted under the Scheme confers the right to purchase one A share of China Vanke at an exercise price within the exercise period and upon the fulfilment of the conditions governing the exercise of the option. The underlying shares under the Scheme will be serviced through the issue of new A shares to specific beneficiaries.

3. The Company plans to grant an aggregate of 110 million stock options to the beneficiaries, representing 1.0004% of the Company's total issued share capital at the time of grant. The options will be granted to the beneficiaries at a Board meeting to be convened according to the relevant requirements within 30 days from the day on which the Stock Option Scheme is considered and approved by a shareholders meeting of the Company.

   During the validity period, should transfer of capital surplus reserve to share capital, issue of bonus shares, stock split, stock consolidation, share placing occur, the number of stock options and the number of underlying shares will be adjusted in accordance with the relevant requirements of the Scheme.

4. The beneficiaries consist of remunerated directors, senior management members, core staff members, but exclude independent directors, members of the Supervisory Committee and major shareholders holding more than 5% equity interest. A total of 851 beneficiaries will be granted options under the Scheme, representing 3.94% of the Company's total employees currently on the payroll.

   Unless approved by way of special resolution at a shareholders meeting of the Company, the cumulative number of shares obtained through the Scheme or other effective equity incentive scheme (if any) of the Company by any individual beneficiary should not exceed 1% of the Company's total share capital.

5. The validity period of the stock options to be granted is four years. After a vesting period of one year commencing on the day when the stock option is granted, there will be three exercise periods. Upon the fulfilment of the conditions where the performance targets are achieved, 40% of the options shall be exercisable during the first exercise period, 30% of the options and the remaining 30% of the options shall be exercisable in the second and third exercise periods respectively. Should the performance targets cannot be achieved during the respective exercise periods, the options cannot be exercised and will lapse. The Company will gratuitously take back and cancel these options.

Stage	**Schedule**	**Percentage of options exercisabl e**
Grant date	Within 30 days after the approval of the Scheme by a shareholders meeting of the Company	-

Vesting period	A 12-month period commencing from the grant date up to the last trading day of the 12-month period commencing from the grant date	-
First exercise period	A period commencing from the first trading day after a 12-month period commencing from the grant date up to the last trading day of the validity period of the stock options (i.e. 48 months from the grant date of the Scheme)	40%
Second exercise period	A period commencing from the first trading day after a 24-month period commencing from the grant date up to the last trading day of the validity period of the stock options (i.e. 48 months from the grant date of the Scheme)	30%
Third exercise period	A period commencing from the first trading day after a 36-month period commencing from the grant date up to the last trading day of the validity period of the stock options (i.e. 48 months from the grant date of the Scheme)	30%

Stock options that are not exercised during the exercise periods of the validity period will lapse upon the expiry of the validity period. The Company will gratuitously take back and cancel these options.

6. The exercise price of the stock options granted under the Scheme is RMB 8.89. The exercise price will be any one of the following, whichever is higher:

    (1) The closing price of the Company's A shares on the trading day prior to the announcement of the summary of this draft Incentive Scheme;

    (2) The average closing price of the Company's A shares for the 30 trading days prior to the announcement of the summary of this draft Incentive Scheme;

    Within the validity period of the stock options, should distribution of dividends, transfer of capital surplus reserve to share capital, issue of bonus shares, stock split or stock consolidation, share placing occur, the exercise price will be adjusted in accordance with the relevant requirements of the Scheme.

7. The performance targets that govern the exercise of the stock options include:

    (1) Fully diluted return on equity ("ROE");

    (2) Growth rate of the net profit attributable to the shareholders of the Company ("net profit growth rate");

    The net profit used to calculate the aforesaid targets under the Scheme is based on the profit before or after extraordinary items, whichever is lower; net assets used is based on the net assets attributable to the shareholders of the Company.

8. Conditions governing the exercise of the stock options:

    (1) The net profit attributable to the shareholders of the Company and the net profit after extraordinary items attributable to the shareholders of the Company in each of the years within the validity period of the Scheme should not be lower than the average of those in the three financial years prior to the grant date and should not be a negative figure;

    (2) The conditions for each of the exercise periods for the exercise of the 110 million stock options to be granted:

Exercise period	Percentage of stock options exercisable	Vesting conditions
First exercise period	40%	For Year T, ROE not lower than 14%; net profit growth rate (Year T compared with Year T-1) not lower than 20%
Second exercise period	30%	For Year T+1, ROE not lower than 14.5%; net profit growth rate (Year T+1 compared with Year T-1) not lower than 45%
Third exercise period	30%	For Year T+2, ROE not lower than 15%; net profit growth rate (Year T+2 compared with Year T-1) not lower than 75%

Description: The calculation of net profit growth rate is as follows: The net profit growth rate for each corresponding period is calculated using the “net profit attributable to the shareholders of the Company” in the year (“T-1”) prior to the year for which the stock options under the Scheme are granted as the base number for each exercise period. For instance, assume that the Company grants stock options on 1 December 2010, with a vesting period of one year, the net profit growth rate target for the first exercise period = [(net profit for 2010÷ net profit for 2009) -1] x 100%; the net profit growth rate target for the second exercise period = [(net profit for 2011÷ net profit for 2009) -1] x 100%, and so forth for the subsequent exercise period.

9. Adjustment to vesting conditions when equity financing is conducted

(1) Should the Company conduct equity financing during the validity period of stock options, and the purpose of such financing is to acquire assets for which the consideration is settled by the issue of shares or to acquire assets for which the consideration is settled by the funds raised, then the impact of financing should not be taken into account when calculating the vesting conditions. Calculation method is as follows: For the exercise period that commences in the year following the year of completion of the equity financing exercise, when calculating the vesting conditions, the “net profit” used to calculate the net profit growth rate and ROE should exclude the amount of net profit attributable to the newly acquired assets; the “net assets” should exclude the amount of net assets attributable to the newly acquired assets.

(2) Should the Company conduct equity financing during the validity period of stock options, and the purpose of such financing is not to use it as means to pay for acquisition of assets nor to raise funds for acquisition of assets, then when calculating the vesting conditions, the net profit growth rate target for each of the years after the year in which the equity financing is completed should be raised. Calculation method is as follows: X ＝ (Net proceeds from the financing exercise÷the audited net assets attributable to the shareholders of the Company at the end of the base year) x 100%; when calculating the vesting conditions, X should be added to the initial target set for the net profit growth rate for each of the years after the year in which an equity financing is completed. For instance: Assume the Company grants stock options on 1 April 2011 (2011 is Year T), and completes an equity financing in 2011 (Year T),

raising net proceeds being 20% of the net assets at the end of 2010 (Year T-1, base year), then the vesting conditions for the first exercise period remain unchanged, i.e. the net profit growth rate (compare 2011 (Year T) with 2010) should not be lower than 20%; of the vesting conditions for the second exercise period, the net profit growth rate target (compare 2012 (Year T＋1) with 2010) is raised to not lower than 65%; of the vesting conditions for the third exercise period, the net profit growth rate target (compare 2013 (Year T＋2) with 2010) is raised to not lower than 95%.

(3) Should the Company conduct equity financing during the validity period of stock options, a portion of the share issue is used as a means to pay for the acquisition of assets or part of the proceeds raised is used for the acquisition of assets, then the impact of the portion of share issue used as a means to pay for the acquisition of assets or the part of proceeds used for the acquisition of assets should not be taken into account when calculating the vesting conditions (using the method mentioned in Clause 1); the remaining portion will be treated according to the method mentioned in Clause 2: raise the net profit growth rate target for each of the years after the year in which an equity financing is completed by adding X, being the outstanding amount of proceeds as a percentage of the net assets at the end of the base year (Year T-1).

10. China Vanke undertakes that it will not provide loans or any form of financial assistance, including providing guarantees for their loans, to the beneficiaries upon their exercise of stock options under the Scheme.

11. China Vanke undertakes that it will not engage in any new issue, asset injection, issue of convertible bonds within the 30 days after the approval of the Scheme by a shareholders meeting.

12. After the draft Scheme prepared by the remuneration and nomination committee of the Board have been submitted to and approved by the Board, the implementation of the Scheme is subject to the fulfilment of the following conditions: File the Scheme to China Securities Regulatory Commission for record without dispute and obtain approval from the Company’s shareholders meeting. Within 30 days from the approval of the Scheme by a shareholders meeting, the Company will convene a Board meeting in accordance with the relevant requirements to grant the stock options to the beneficiaries, and complete the relevant procedures for registration, announcement, etc.

13. Upon the grant of authorisation by the shareholders meeting to the Board to take charge of the subsequent management of the Scheme, the Board will have the final authority to interpret the Scheme.

14. This report has been prepared in Chinese, with English translation. Should discrepancy exist between the two versions, the Chinese version should prevail.

Contents

Section 1 Definition

In the Scheme, the following expressions or abbreviations shall, unless the context requires otherwise, have the following meanings:

China Vanke, the Company, Company		China Vanke Co., Ltd.
shareholders meeting		a shareholders meeting of the Company
Board		the board of directors of the Company
remuneration and nomination committee		the remuneration and nomination committee established under the Board
Supervisory Committee		the supervisory committee of the Company
senior management members		president, executive vice president, Board secretary and supervisor of finance, etc. appointed by the Board to assume the management responsibilities for the Company
Stock Option Incentive Scheme, Incentive Scheme, the Scheme		the A-Share Stock Option Incentive Scheme For Year 2010 of China Vanke Co., Ltd.
stock option, option		the right granted by the Company to beneficiaries to buy a specified amount of A shares at a predetermined price within a certain period in the future
beneficiaries, scope of Incentive Plan		remunerated directors, senior management members, core staff members, etc, who are granted stock options under the Stock Option Incentive Scheme
grant date		the date on which the Company grants to beneficiaries the stock options; the grant date should be a trading day
exercise of stock option		the act of buying A shares at a predetermined price and terms within a specified period by the beneficiary in accordance with the Stock Option Incentive Scheme. Under the Scheme, after a vesting period of one year, the respective percentage of the stock options in each of the subsequent three exercise periods may or may not be exercised depending on the Company's performance
performance-based conditions for exercise of stock option		the two conditions based on the targets of ROE and net profit growth rate set by the Company have to be satisfied. Only by satisfying all the conditions can the respective percentage of stock options be exercisable during the exercise periods
net profit		net profit attributable to the shareholders of the Company; the net profit used to calculate the net profit growth rate and ROE under the Scheme is based on the profit before

		or after extraordinary items, whichever is lower
Year T		the year that contains the grant date of stock option
the base year		Year T-1,i.e. the year prior to the year for which the stock options under the Scheme are granted
ROE		fully diluted return on equity
validity period of stock options		the period commencing from the grant date up to the expiration date for the stock options. The validity period of stock options under the Scheme is four years.
exercisable date		the date on which the beneficiary can exercise his/her options; an exercisable date has to be a trading day
exercise price		the price determined by the Scheme at which the beneficiary buys A shares of the Company upon the exercise of his/her stock options
underlying shares		the RMB-dominated ordinary shares issued by the Company, i.e A shares of China Vanke
The Company Law		the Company Law of The People’s Republic of China
The Securities Law		the Securities Law of The People’s Republic of China
Administration Measures		Measures for the Administration of Equity Incentive Plans of Listed Companies (Provisional)
Articles of Association		the articles of association of China Vanke
CSRC, SRC		China Securities Regulatory Commission
SSE, the Exchange		Shenzhen Stock Exchange
RMB		Renminbi

Section 2 General Provisions

Provision 1: To further fine-tune the corporate governance structure, to improve the Company’s incentive mechanism, to enhance the sense of responsibility and mission of the management team and core staff to realise the Company’s sustainable and healthy development, and to ensure the achievement of the Company’s development objectives, China Vanke Co., Ltd. (“China Vanke” or “the Company”) formulated “A-Share Stock Option Incentive Scheme For Year 2010 (Draft) of China Vanke Co., Ltd.” in accordance with the requirements of “The Company Law of the People’s Republic of China”, “The Securities Law of The People’s Republic of China”, “Measures for the Administration of Equity Incentive Plans of Listed Companies (Provisional)”, "Memorandum of Understanding No. 1-3 on Matters Regarding Equity Incentives), and other relevant laws and regulations, and "Articles of Association" of China Vanke Co., Ltd.

Provision 2: The Scheme is to be reviewed and approved by the Board; its implementation is subject to CSRC's filing for record without dispute after it has completed its review, as well as the approval of a shareholders meeting.

Provision 3: Basic principles governing the establishment of the Scheme:

(1) Openness, fairness and impartiality;

(2) Parallel approach of incentive and restriction;

(3) Shareholders, and professional management team sharing the same interests, which is beneficial to the Company's sustainable development;

(4) Safeguard shareholders' interest and generate higher and more sustainable returns for shareholders.

Provision 4: Purpose of the Scheme:

(1) Promote a value creation-oriented business culture, establish a check-and-balance mechanism between the shareholders and professional management team through linking up their interests;

(2) Stimulate continuity in value creation, guaranteeing the Company's long-term stable development;

(3) Assist the management team in balancing short-term objectives and long-term objectives;

(4) Maintain stability of the management team and core staff;

Section 3 Basis for Determination and Scope of the Beneficiaries

Provision 5: Basis for determination of the beneficiaries

(1) Legal basis for determination of the beneficiaries

The beneficiaries of the Scheme are determined in accordance with the relevant requirements of "The Company Law", "The Securities Law", "Administration Measures", and other relevant law and administrative regulations, as well as the Articles of Association, while taking into account the actual situation of the Company

(2) Determination of the beneficiaries based on their capacities

The beneficiaries of the Scheme are currently remunerated Directors, senior management members and core staff members who have demonstrated direct influence on the Company's overall results and sustainable development or made outstanding contribution.

Provision 6: The beneficiaries of the Stock Option Incentive Scheme are:

(1) Remunerated Directors of the Company;

(2) Senior management members;

(3) Core staff members;

The abovementioned beneficiaries do not include independent directors and other members of the Board who only receive Directors' remuneration. The total number of beneficiaries of the Incentive Scheme is 851, representing 3.94% of the total staff on the payroll of the Company. The abovementioned persons work for and receive salary from the Company or its subsidiaries.

Unless approved by way of special resolution at a shareholders meeting, the cumulative number of shares obtained through the Scheme or other effective equity incentive scheme (if any) of the Company by any individual beneficiary should not exceed 1% of the Company's total share capital.

Provision 7: The persons mentioned in Provision 6 cannot be the beneficiaries of the Scheme if any one of the following situations applied to them:

(1) Publicly reprimanded or declared to be not a "suitable person" by the Shenzhen Stock Exchange in the past three years;

(2) Faced administrative action taken by CSRC for material breaches in the past three years;

(3) Restricted by Rule 147 of "The Company Law of the People's Republic of China" to take up the position of directors, supervisors, senior management members.

The beneficiaries shall undertake: during the implementation of the Stock Option Incentive Plan, if they are caught in the above-mentioned situations that prohibit them to participate in the Scheme, the beneficiaries will lose their right to participate in the Scheme without any compensation.

Provision 8: Verification of the beneficiaries

The Supervisory Committee has to verify the list of beneficiaries and to elaborate on the verification results at a subsequent shareholders meeting.

Section 4 Source and Number of The Underlying Shares under The Scheme

Provision 9: Number of stock options to be granted

The Company intends to grant a total of 110 million stock options to the beneficiaries, representing 1.0004% of the Company's total share capital. Each stock option confers the right to buy one share of the Company's RMB-denominated ordinary share (A share) at a predetermined exercise price and terms on an exercisable date. The options will be granted to the beneficiaries at a Board meeting to be convened according to the relevant requirements within 30 days from the day on which the Stock Option Scheme is considered and approved by a shareholders meeting of the Company.

During the validity period of stock options, should transfer of capital surplus reserve to share capital, issue of bonus shares, stock split, stock consolidation, share placing occur, the number of stock options and the number of underlying shares will be adjusted in accordance with the relevant requirements of the Scheme.

Provision 10: Source of the underlying shares

The shares under the Scheme will be serviced through the issue of new A shares to specific beneficiaries.

Provision 11: Allotment of stock options granted

Stock options granted are allotted among the beneficiaries as follows:

No.	Name	Capacity	No. of stock options ('000 units)	Proportion to the total options to be granted under the Scheme
1	Wang Shi	Chairman	6,600	6.00%
2	Yu Liang	President	5,500	5.00%
3	Xu Hongge	Executive Vice President	2,200	2.00%
4	Liu Aiming	Executive Vice President	2,200	2.00%
5	Ding Changfeng	Executive Vice President	2,200	2.00%
6	Xie Dong	Executive Vice President	2,200	2.00%

7	Zhang Jiwen	Executive Vice President	2,200	2.00%
8	Mo Jun	Executive Vice President	2,200	2.00%
9	Shirley L. Xiao	Executive Vice President	2,200	2.00%
10	Wang Wenjin	Executive Vice President	2,200	2.00%
11	Tan Huajie	Board Secretary	1,600	1.45%
12	Other core staff members		78,700	71.55%

Note: (1) For details on the names and capacities of core staff members, please refer to the announcements published on the website of Shenzhen Stock Exchange;

(2) The cumulative number of underlying shares obtained through the Scheme or other effective equity incentive scheme (if any) by any individual beneficiary should not exceed 1% of the Company's total share capital;

(3) Nothing precludes the above-mentioned beneficiaries, nor do they participate in stock incentive plans of two or more listed companies

Section 5 Validity Period, Grant Date, Vesting Period, Exercise Arrangement, Lock-up Period of Underlying Stocks of the Stock Option Incentive Scheme

Provision 12: Validity period of the Stock Option Incentive Scheme

The Incentive Scheme is valid for four years, i.e. valid within the four years commencing from the grant date of the stock options.

Provision 13: Grant date of the stock options

The grant date is determined by the Board after the Scheme has been reported to CSRC and received no objection from CSRC, and after approval by the Company's shareholders meeting. Within 30 days from the approval of the Scheme by the shareholders meeting, the Company will convene a Board meeting in accordance with the relevant requirements to grant the stock options to the beneficiaries, which is the grant date of the stock options, and complete the relevant procedures for registration, announcement, etc. The grant date should be a trading day and should not fall on the following days:

(1) The period commencing from the 30 trading days prior to the announcement of a periodic report to the second trading day after the date of announcement of the periodic report. For any special reason for postponing the date of announcement of the periodic report, the period will start from the 30 trading days prior to the original announcement date of the periodic report;

(2) The period commencing from the 10 trading days prior to the

announcement of results forecast and results highlights to the second trading day after the date of such announcement;

(3) The period where the decision-making process regarding a substantial transaction or significant event takes place up to the two trading days after the announcement of such matter;

(4) The period from the day of occurrence of other significant events that may affect the share price up to the second trading day after the announcement of such event.

Provision 14: Vesting period

The period commencing from the date on which stock options are granted up to the exercisable date. The vesting period of the Scheme is one year.

Provision 15: Exercisable date

The beneficiaries of the Scheme can start exercising their options one year after the grant date. An exercisable date is any trading day between the period commencing from the second trading day after the date of announcement of the Company's periodic report up to the 10 trading days prior to the announcement of the next periodic report. However, stock options cannot be exercised during the following periods:

(1) The period commencing from the three trading days prior to the announcement of the results forecast and results highlights to the second trading day after the date of such announcement;

(2) The period where the decision-making process regarding a substantial transaction or significant event takes place up to the two trading days after the announcement of such matter;

(3) The period from the day of occurrence of other significant events that may affect the share price up to the second trading day after the announcement of such event.

The aforesaid "substantial transaction", "significant event" and "significant events that may affect the share price" are transactions or other significant events that should be disclosed by the Company in accordance with the requirements of the Rules Governing Listing of Stocks on Shenzhen Stock Exchange.

Provision 16: Basic operation of the Scheme

After a vesting period of one year commencing on the day when the stock option is granted, there will be three exercise periods. Upon the fulfilment of the conditions where the performance targets are achieved, 40% of the options shall be exercisable during the first exercise period, 30% of the options and the remaining 30% of the options shall be exercisable in the second and third exercise periods respectively. Should the performance targets cannot be achieved during the respective exercise periods, the options cannot be exercised and will lapse. The Company will gratuitously take back and cancel these options. The basic operation of the 110 million stock options to be granted is illustrated as follows:

Stage	**Schedule**	Percentage of options

		exercisable
Grant date	Within 30 days after the approval of the Scheme by a shareholders meeting of the Company	-
Vesting period	A 12-month period commencing from the grant date up to the last trading day of the 12-month period commencing from the grant date	-
First exercise period	A period commencing from the first trading day after a 12-month period commencing from the grant date up to the last trading day of the validity period of the stock options (i.e. 48 months from the grant date of the Scheme)	40%
Second exercise period	A period commencing from the first trading day after a 24-month period commencing from the grant date up to the last trading day of the validity period of the stock options (i.e. 48 months from the grant date of the Scheme)	30%
Third exercise period	A period commencing from the first trading day after a 36-month period commencing from the grant date up to the last trading day of the validity period of the stock options (i.e. 48 months from the grant date of the Scheme)	30%

Stock options that are not exercised during the exercise periods of the validity period will lapse upon the expiry of the validity period. The Company will gratuitously take back and cancel these options.

Provision 17: Provision 17: Lock-up period

The lock-up period is the period during which the beneficiaries are restricted to sell their shares obtained through exercising their options. The lock-up period pursuant to the Stock Option Incentive Scheme is implemented in accordance with the requirements of The Company Law, The Securities Law, and other relevant laws and regulations, as well as the Articles of Association. The detailed requirements are as follows:

(1) The beneficiaries are the Directors and senior management members. During their tenure with the Company, the maximum number of shares they can sell in a year cannot exceed 25% of the total Company shares they hold. They cannot sell the Company shares they hold within six months after their resignation.

(2) The beneficiaries are the Directors and senior management members. Should they sell the Company's shares within six months after the purchase of such shares or buy the Company's shares within six months after the sale of such shares, the profits generated from such sale or purchase will be handed over to the Company, which will be given to the Board.

(3) During the validity period of the Stock Option Incentive Scheme, if there are changes in the requirements of The Company Law, The

Securities Law, and other relevant laws and regulations, as well as the Articles of Association regarding the sale of shares held by the Directors and senior management members, the sale of shares by the beneficiaries should comply with the revised requirements of The Company Law, The Securities Law, and other relevant laws and regulations, as well as the Articles of Association.

Section 6 Exercise Price of Stock Options or Method for Determining Exercise Price

Provision 18: Exercise price of stock options granted

The exercise price of stock options granted is RMB8.89. The exercise price will be any one of the following, whichever is higher:

(1) The closing price of the Company's A shares on the trading day prior to the announcement of the summary of this draft Incentive Scheme;

(2) The average closing price of the Company's A shares for the 30 trading days prior to the announcement of the summary of this draft Incentive Scheme;

Upon fulfilment of the vesting conditions, the beneficiaries can purchase one Company share at a price of RMB8.89 for each granted option.

Provision 19: Adjustment in exercise price of stock option

Within the validity period of the stock options, should distribution of dividends, transfer of capital surplus reserve to share capital, issue of bonus shares, stock split or stock consolidation, share placing occur, the exercise price will be adjusted in accordance with the relevant requirements of the Scheme.

Section 7 Conditions for Granting and Exercising Stock Options

Provision 20: The conditions for granting stock options

The Company shall grant stock options to the beneficiaries in accordance with the Scheme only if the following situations do not occur:

(1) None of the following has happened to China Vanke:

a. The financial report for the most recent financial year contains an audit report issued by a certified public accountant with an adverse opinion or disclaimer of opinion

b. Faced administrative action taken by CSRC for material breaches in the most recent year;

c. Other situations recognized by CSRC

(2) None of the following has happened to the beneficiaries:

a. Publicly reprimanded or declared to be not a "suitable person" by the SSE in the past three years;

b. Faced administrative action taken by CSRC for material breaches in the past three years;

c. Restricted by “The Company Law of the People’s Republic of China” to take up the position of directors and senior management members;

d. Other situations recognized by the Board as material breaches of relevant regulations of the Company.

Provision 21: The performance targets that govern the exercise of the stock options include:

(1) Fully diluted return on equity (“ROE”);

(2) Growth rate of the net profit attributable to the shareholders of the Company (“net profit growth rate”).

The net profit used to calculate the aforesaid targets under the Scheme is based on the profit before or after extraordinary items, whichever is lower; net assets used is based on the net assets attributable to the shareholders of the Company.

Provision 22: Conditions governing the exercise of the stock options

The net profit attributable to the shareholders of the Company and the net profit after extraordinary items attributable to the shareholders of the Company in each of the years within the validity period of the Scheme should not be lower than the average of those in the three financial years prior to the grant date and should not be a negative figure.

The conditions for each of the exercise periods for the exercise of the 110 million stock options:

Exercise period	**Percentage of stock options exercisable**	**Vesting conditions**
First exercise period	40%	For Year T, ROE not lower than 14%; net profit growth rate (Year T compared with Year T-1) not lower than 20%
Second exercise period	30%	For Year T+1, ROE not lower than 14.5%; net profit growth rate (Year T+1 compared with Year T-1) not lower than 45%
Third exercise period	30%	For Year T+2, ROE not lower than 15%; net profit growth rate (Year T+2 compared with Year T-1) not lower than 75%

Description: The calculation of net profit growth rate is as follows: The net profit growth rate for each corresponding period is calculated using the “net profit attributable to the shareholders of the Company” in the year (“T-1”) prior to the year for which the stock options under the Scheme are granted as the base number for each exercise period. For instance, assume that the Company grants stock options on 1 December 2010, with a vesting period of one year, the net profit growth rate target for the first exercise period = [(net profit for 2010 ÷ net profit for 2009) -1] x 100%; the net profit growth rate target for the second exercise period = [(net profit for 2011 ÷ net profit for 2009) -1] x 100%, and so forth for the subsequent exercise period.

Provision 23: Special requirements apply to equity financing conducted by the Company during the validity period of stock options

(1) Should the Company conduct equity financing during the validity period of stock options, and the purpose of such financing is to acquire assets for which the consideration is settled by the issue of shares or to acquire assets for which the consideration is settled by the funds raised, then the impact of financing should not be taken into account when calculating the vesting conditions. Calculation method is as follows: For the exercise period that commences in the year following the year of completion of the equity financing exercise, when calculating the vesting conditions, the "net profit" used to calculate the net profit growth rate and ROE should exclude the amount of net profit attributable to the newly acquired assets; the "net assets" should exclude the amount of net assets attributable to the newly acquired assets.

(2) Should the Company conduct equity financing during the validity period of stock options, and the purpose of such financing is not to use it as means to pay for acquisition of assets nor to raise funds for acquisition of assets, then when calculating the vesting conditions, the net profit growth rate target for each of the years after the year in which the equity financing is completed should be raised. Calculation method is as follows: X ＝ (Net proceeds from the financing exercise÷the audited net assets attributable to the shareholders of the Company at the end of the base year) x 100％; when calculating the vesting conditions, X should be added to the initial target set for the net profit growth rate for each of the years after the year in which an equity financing is completed. For instance: Assume the Company grants stock options on 1 April 2011 (2011 is Year T), and completes an equity financing in 2011 (Year T), raising net proceeds being 20% of the net assets at the end of 2010 (Year T-1, base year), then the vesting conditions for the first exercise period remain unchanged, i.e. the net profit growth rate (compare 2011 (Year T) with 2010) should not be lower than 20%; of the vesting conditions for the second exercise period, the net profit growth rate target (compare 2012 (Year T＋1) with 2010) is raised to not lower than 65%; of the vesting conditions for the third exercise period, the net profit growth rate target (compare 2013 (Year T+2) with 2010) is raised to not lower than 95%.

(3) Should the Company conduct equity financing during the validity period of stock options, a portion of the share issue is used as a means to pay for the acquisition of assets or part of the proceeds raised is used for the acquisition of assets, then the impact of the portion of share issue used as a means to pay for the acquisition of assets or the part of proceeds used for the acquisition of assets should not be taken into account when calculating the vesting conditions (using the method mentioned in Clause 1); the remaining portion will be treated according to the method mentioned in Clause 2: raise the net profit growth rate target for each of the years after the year in which an equity financing is completed by adding X, being the outstanding amount of proceeds as a percentage of the net assets at the end of the base year (Year T-1).

Provision 24: Prerequisite for exercising options by individual beneficiaries

(1) No situation referred in Clause 2 of Provision 20 applies to the beneficiaries before the end of a given exercise period within the validity period of the Scheme:

(2) The beneficiaries have met the requirements of the performance appraisal for the previous year according to the relevant measures for administration of the Company's salaries review and performance appraisal.

Should beneficiaries fail to fulfill the first prerequisite (Clause 1 of this provision), they shall give up their right to participate in the Scheme and receive no compensation. Should beneficiaries fail to fulfill the second prerequisite (Clause 2 of this provision), the exercisable stock options to be granted in the corresponding exercise period shall be withdrawn and cancelled by the Company without any compensation.

Section 8 Method and Procedures For Adjustment of the Stock Option Incentive Scheme

Provision 25: Method of adjustment of the number of stock options

Before the exercise of options, should transfer of capital surplus reserve to share capital, issue of bonus shares, stock split, share placing or stock consolidation occur, the number of stock options will be adjusted accordingly. The method of adjustment is as follows:

(1) Transfer of capital surplus reserve to share capital, issue of bonus shares, stock split

$$Q = Q_0 \times (1+n)$$

In the formula, Q_0 is the number of share options before adjustment; n is the ratio to which the transfer of capital surplus reserve to share capital, issue of bonus shares, stock split applies per share (i.e. the additional number of shares for each share after transfer of capital surplus reserve to share capital, issue of bonus shares or stock split); Q is the number of stock options after adjustment.

(2) Share placing

$$Q = Q0 \times P1 \times (1+n) / (P1 + P2 \times n)$$

In the formula, Q0 is the number of share options before adjustment; P1 is the closing price on record date; P2 is the placing price; n is the share placing ratio (i.e. the ratio of the number of placing shares to the total number of shares of the Company before placing). Q is the number of stock options after adjustment.

(3) Stock consolidation

$$Q = Q0 \times n$$

In the formula, Q0 is the number of share options before adjustment; n is the stock consolidation ratio (i.e. one Company share would be consolidated into n share). Q is the number of stock options after adjustment.

Provision 26: Method of adjustment of exercise price

Before the exercise of option, should distribution of dividends, transfer of capital surplus reserve to share capital, issue of bonus shares, stock split, share placing or stock consolidation occur, the exercise price will be adjusted accordingly. The method of adjustment is as follows:

(1) Transfer of capital surplus reserve to share capital, issue of bonus shares, stock split

$$P = P0 \div (1 + n)$$

In the formula, P0 is the exercise price before adjustment; n is the ratio to which the transfer of capital surplus reserve to share capital, issue of bonus shares, stock split applies per share; P is the exercise price after adjustment.

(2) Share placing

$$P = P0 \times (P1 + P2 \times n) / [P1 \times (1 + n)]$$

In the formula, P0 is the exercise price before adjustment; P1 is the closing price on record date; P2 is placing price; n is the share placing ratio (i.e. the ratio of the number of placing shares to the total number of shares of the Company before placing); P is the exercise price after adjustment.

(3) Stock consolidation

$$P = P0 \div n$$

In the formula, P0 is the exercise price before adjustment; n is the stock consolidation ratio; P is the exercise price after adjustment.

(4) Distribution of dividends

$$P = P0 - V$$

In the formula, P0 is the exercise price before adjustment; V is the amount of dividend per share; P is the exercise price after adjustment.

Provision 27: Procedures for adjustment of the Stock Option Incentive Scheme

The shareholders meeting of the Company authorizes the Board to make decisions on the adjustment of the exercise price and the number of stock options under the above-mentioned situations. Attorneys should provide professional advice to the Board regarding whether the aforesaid adjustment complies with the requirements of the Administration Measures, Articles of Association, and Stock Option Incentive Scheme.

Section 9 Accounting Treatments of Stock Options

Provision 28: Principles of accounting treatments of stock options

According to the “Accounting Standards for Business Enterprises” and their application guide, the major accounting policies for stock options granted to beneficiaries adopted by the Company are as follows:

(1) The equity-settled share-based payment in return for services from beneficiaries shall be measured at the fair value of the equity

instruments granted to the beneficiaries;

(2) As to an equity-settled share-based payment in return for services from beneficiaries, if the right cannot be exercised until the vesting period ends or until the prescribed performance conditions are fulfilled, then based on the best estimate of the number of vested equity instruments, the services obtained during a period shall be included in the relevant asset costs or expenses and the capital surplus reserves at the fair value of the equity instruments on the date of the grant on each balance sheet date within the vesting period.

Provision 29: Details on accounting treatments of Stock Options

(1) Accounting treatments on the grant date: As stock options cannot be exercised on the grant date, no accounting treatments are required;

(2) Accounting treatments during the vesting period: On each balance sheet date within the vesting period, the Company shall include, based on the best estimate of the number of vested equity instruments, the services obtained in a period in the relevant asset costs or expenses and the capital surplus reserves at the fair value of the stock options on the grant date;

(3) Accounting treatments after the exercisable date: No adjustment shall be made to the relevant costs, expenses or the total amount of owners' equity which have been recognised. On each balance sheet date, the costs of options shall be amortised in the amount applicable to the respective period;

(4) Accounting treatments upon exercise of options: Based on the actual number of options exercised, the share capital and the capital premium shall be recognised and the capital surplus reserves recognised during the vesting period shall be settled.

Provision 30: Option pricing model and value estimation

The Company applies Black-Scholes model in the estimation of the fair value of the 110 million stock options to be granted under the Scheme. The relevant parameter values according to the data of China Vanke's A shares currently available are as follows:

(1) Exercise price: The exercise price of the stock options under the Scheme is RMB8.89

(2) Price on grant date: RMB8.89 (Note: For the time being, the exercise price of the stock options is adopted as the fair value. The fair value of the options will be calculated based on the closing price of the Company's A shares on the grant date)

(3) Validity period: Since the beneficiaries have to exercise all of the options granted within four years after the grant date, the validity period of the stock options is four years

(4) Historical volatility: 40.53% (Note: For the time being, historical volatility of the Company's A shares during the year prior to the announcement of the draft Scheme is adopted)

(5) Risk-free rate of return: The benchmark deposit interest rate of financial institutions determined by the People's Bank of China is used as the risk-free rate of return. The continuously compounded

interest rate of 4.025%, being the mean of 3-year benchmark deposit interest rate of 3.85% and 5-year benchmark deposit interest rate of 4.20% as set by the People's Bank of China, is applied as the risk-free rate of return of the stock options

Based on the above parameters, the theoretical value of a stock option to be granted by the Company is RMB3.289. The total theoretical value of the 110 million stock options is RMB361.79 million.

Provision 31: Methods of amortisation of expenses of stock options granted

In accordance with the relevant requirements of the "Accounting Standard for Business Enterprises No. 11 – Share-based payment", on each balance sheet date within the vesting period, the Company shall, based on the latest information obtained on the change in the number of vested beneficiaries, the level of fulfilment of the performance targets, revise the estimated number of exercisable stock options and include the services obtained during a period in the relevant costs or expenses and the capital surplus reserves at the fair value of the stock options on the grant date. Assume the Company grants 110 million stock options on 1 January 2011, and the number of exercisable stock options remains unchanged, the amortisation of the option expenses in the next few years will be as follows:

Exercise period	**Amortisation period (No. of year)**	**2011 (RMB '000)**	**2012 (RMB '000)**	**2013 (RMB '000)**
First exercise period	1	144,716.0	0.0	0.0
Second exercise period	2	54,268.5	54,268.5	0.0
Third exercise period	3	36,179.0	36,179.0	36,179.0
Total	-	235,163.5	90,447.5	36,179.0

Note: As the number of options to be exercised and the fair value of options on the grant date are estimated figures, there will be discrepancies between the current estimation of the total costs of options and the total costs of options actually granted. The actual accounting costs shall be reassessed according to parameters such as the actual share price on the grant date determined by the Board, volatility, etc, and confirmed by auditors.

Section 10 Procedure for grant of stock options by the Company and exercise of stock options by the beneficiaries

Provision 32: The Scheme is submitted to China Vanke's shareholders meeting for consideration after it is reported to the China Securities Regulatory

Committee and received no objection from CSRC. At the time of voting on the Incentive Scheme at the shareholders meeting, independent Directors should gather the proxy voting rights from all the shareholders, and the Company should provide both on-site voting and internet voting arrangements.

Provision 33: Upon approval of the Scheme by the shareholders meeting, the Company shall, according to the stipulations of the Scheme, grant to the beneficiaries stock options on the grant date, i.e. within 30 days from the date of approval of the Stock Option Scheme by the shareholders meeting, the Company shall convene a Board meeting in accordance with the relevant requirements to grant the stock options to the beneficiaries, and complete the procedures for registration, announcement, etc.

Provision 34: Upon the grant of stock options, the Company and the beneficiary enter into a “Stock Option Grant Agreement” to establish the rights and obligations between both parties. The “Stock Option Grant Agreement” is also a certification of the grant of stock options, including the name, ID number, residence address, means of communication, code, points to note, etc. The Company, based on the stipulations of the agreement entered into with the beneficiary, compiles a beneficiary register for the administration of the Stock Option Scheme to record the relevant information.

Provision 35: During the exercise period within the validity period of stock options, the option holder submits an “application for exercise of stock options” to the Company to confirm the number of options and price at which he/she will exercise, and pays a corresponding amount for the shares purchased. The “application for exercise of stock options” should contain the number of stock options to be exercised, exercise price and the transaction information of the option holder.

Provision 36: After verifying and confirming the application for exercise of stock options from each option holder, the Company issues to the specific beneficiaries the number of shares according to the number of options applied for exercise, and completes share registration with the Shenzhen Branch of China Securities Depository and Clearing Corporation.

Section 11 Rights and Obligations of The Company and Beneficiaries

Provision 37: Rights and obligations of the Company

(1) The Company has the right to interpretation and execution of the Scheme, conducting appraisal of the performance of beneficiaries, monitoring and reviewing beneficiaries to see they remain eligible to exercise the stock options.

(2) China Vanke undertakes that it will not provide loans or any form of financial assistance, including providing guarantees for their loans, to the beneficiaries upon their exercise of stock options under the Scheme.

(3) China Vanke undertakes that it will not engage in any new issue, asset injection, issue of convertible bonds within the 30 days after the approval of the Scheme by a shareholders meeting.

(4) The Company should timely fulfil the obligations including

reporting and disclosure of information in relation to the Stock Option Incentive Scheme in accordance with the relevant requirements.

(5) The Company should, in accordance with the Stock Option Incentive Scheme, and the relevant requirements of CSRC, Shenzhen Stock Exchange, China Securities Depository and Clearing Corporation, actively support beneficiaries who meet the vesting conditions to exercise the stock options according to the requirements. However, the Company takes no responsibility for the loss arising from the beneficiary's failure to exercise stock options, for which CSRC, Shenzhen Stock Exchange and China Securities Depository and Clearing Corporation are the underlying reasons.

(6) Other relevant rights and obligations as required by laws and regulations.

Provision 38: Rights and obligations of beneficiaries

(1) The beneficiaries should perform their duties diligently and abide by professional ethics as required by their positions, and make contribution to the Company's development.

(2) The beneficiaries can choose to exercise or not to exercise their stock options, and within the number of options granted, they can use their discretion to decide on the number of options to be exercised.

(3) The beneficiaries have the right to and should exercise their options in accordance with the requirements of the Incentive Scheme, and should be subject to a lock-up period according to the requirements.

(4) The beneficiaries should, according to the requirements of the Incentive Scheme, fund the exercise of options using their own financial resources.

(5) During the exercise periods, the beneficiaries can exercise their stock options by stage, provided that they timely submit to the Company an "application for exercise of stock option" and have the money ready for settling the payment.

(6) The stock options granted to the beneficiaries are not transferable nor can they be used for providing guarantees and debt repayment.

(7) Beneficiaries who realize gains from the Incentive Scheme should pay the personal income tax and other tax expenses according to the Tax Law of the People's Republic of China.

(8) Other relevant rights and obligations as required by laws and regulations.

Section 12 Ways for Handling Stock Options under Special Situations

Provision 39: Change in the single largest shareholder of the Company

Should there be a change in the single largest shareholder in the event of restructuring and merger and acquisition, the existing single largest shareholder should stipulate in the equity transfer agreement (or other agreement resulting in a change in the single largest shareholder) an undertaking by the to-be single largest shareholder that the original Incentive Scheme will remain unchanged, and the Scheme will be effectively implemented and completed, and the Scheme forms an integral part of the agreement.

Provision 40: Merger and spin-off of the Company

Should a merger or spin-off occur, the parties involved should undertake to continue implementation of the Scheme in the agreement regarding the merger or spin-off of the Company, and they can make adjustment to the contents of the Scheme according to the actual situation, provided that they do not make any change in the beneficiaries, the number of stock options granted under the Scheme, exercise price and terms without reason.

Provision 41: The Scheme will be terminated immediately should one of the following conditions occur:

(1) The financial report for the most recent financial year contains an audit report issued by a certified public accountant with an adverse opinion or disclaimer of opinion;

(2) Faced administrative action taken by CSRC for material breaches in the most recent year;

(3) Other situations recognised by CSRC.

Provision 42: Misrepresentations contained in the financial documents of the Company

The beneficiary who is responsible for the financial and accounting documents containing misrepresentations should return to the Company all the profits obtained from the Scheme within 12 months from the date of announcement of those financial and accounting documents.

Provision 43: Changes to the personal situation of the beneficiaries

(1) Should the following situations occur, the stock options of the beneficiary that can be exercised but have yet to be exercised will cease to be exercisable, while options that are not yet vested will be cancelled on the day of occurrence of such situation.

a. Become a supervisor or a person who cannot hold share or stock options of the Company;

b. Being publicly reprimanded or declared to be not a “suitable person” by the stock exchange;

c. Face administrative action taken by CSRC for material breaches;

d. Violate the requirements of laws and regulations, or the requirements of the Company’s code of internal control, or commit negligence or misconduct as defined in the labour contract, causing serious damage to the Company’s interests or reputation;

e. Violate the requirements of the relevant laws and administrative regulations of the People’s Republic of China or the requirements of the Articles of Association, causing the

Company to suffer significant economic losses;

f. Company has sufficient evidence to prove that the beneficiary has violated laws and disciplines through such actions as bribery, extortion, corruption, theft, leakage of operational and technological secrets, which damage the Company's interest, reputation and cause the Company to suffer loss;

g. Other situations recognized by the remuneration and nomination committee of the Board.

(2) Should the following situations occur, the stock options of the beneficiary that can be exercised but have yet to be exercised will remain exercisable, and need to be exercised within 12 months, while options that are not yet vested will be cancelled on the day of occurrence of such situation.

a. Unilaterally terminate or cancel the labour contract or employment contract signed with the Company;

b. Upon the expiry of the labour contract or employment contract, either party proposes not to renew the contract;

c. Other situations recognized by the remuneration and nomination committee of the Board.

(3) Should the following situations occur, the stock options of the beneficiary that can be exercised but have yet to be exercised will remain exercisable, while the remuneration and nomination committee will determine the method of handling options that are yet to be vested.

a. Death or loss of ability to work;

b. Retirement;

c. Early termination of the labour contract or employment contract after reaching a consensus with the Company;

d. Other situations recognised by the remuneration and nomination committee of the Board.

(4) Save for the above-mentioned situations, other situations shall be determined by the remuneration and nomination committee of the Board, who will also determine the method of handling options under such situations.

Section 13 Disclosure of Information

Provision 44: The Company will disclose the progress of the implementation of the Scheme in its periodic reports, including:

(1) Scope of the beneficiaries during the reporting period;

(2) The number of stock options granted, exercised or lapsed during the reporting period;

(3) The total number of stock options granted but not yet exercised at the end of the reporting period;

(4) The various adjustments of the number of stock options and exercise price and the number of stock options and exercise price

after the latest adjustment during the reporting period;

(5) The name and title of the Directors, senior management members, and the number of stock options granted to and exercised by them during the reporting period;

(6) Change in share capital after the exercise of options by beneficiaries;

(7) Accounting treatments of incentive stock options;

(8) Other information that should be disclosed in periodic reports.

Provision 45: The Company should disclose information within two trading days after the occurrence of the following situations:

(1) Amendment of the Scheme;

(2) Change in the Scheme due to acquisition, merger or spin-off of the Company.

Section 14 Addendum

Provision 46: After filing to CSRC for record without dispute, the Scheme becomes effective from the date of approval by the shareholders meeting

Provision 47: The Board will have the final authority to interpret the Scheme.

Board of Directors

China Vanke Co., Ltd.

25 October 2010