



CHINA VANKE CO., LTD.

ANNOUNCEMENT REGARDING MATTERS IN RELATION TO THE FIRST EXERCISE PERIOD OF THE A-SHARE STOCK OPTION INCENTIVE SCHEME

The conditions of the first exercise period for the A-Share Stock Option Incentive Scheme (“Scheme”) of China Vanke Co., Ltd. (“China Vanke” or “the Company”) approved at the first extraordinary general meeting in 2011 of the Company have been fulfilled. Approved by the sixteenth session of the board (the “Board”) of Directors (“Directors”), the beneficiaries of the Scheme can exercise 40% of their options during the first exercise period (12 July 2012 to 24 April 2014) commencing from the first trading day after this announcement and up to the last trading day of the 24 months from the grant date. Details are as follows:

I. Brief introduction to the Scheme

On 8 April 2011, the first extraordinary general meeting of the Company considered and passed the “A-Share Stock Option Incentive Scheme (Revised Draft) of China Vanke Co., Ltd.”. The Scheme was thereby approved.

The Scheme uses stock option as an incentive instrument. When the Company and the beneficiaries of the Scheme fulfill the specified conditions, the Company can grant stock options to the beneficiaries according to the Scheme. No stock options can be exercised during the vesting period, which is one year from the grant date. Thereafter in each of the exercise periods, the right to exercise the stock options exercisable during a specific exercise period is subject to the fulfillment of vesting conditions by the Company and the beneficiaries of the Scheme.

On 18 April 2011, the resolution regarding matters in relation to the granting of stock options under the A-share Stock Option Incentive Scheme was approved at the second meeting of the sixteenth session of the Board at which the grant date of the Scheme was confirmed to be 25 April 2011. Meanwhile, the Seventh Supervisory Committee of the Company also verified and commented on the list of beneficiaries of the Scheme. On 9 May 2011, the registration of the grant of stock options was completed. The exercise price of the stock options was RMB8.89.

After the proposal on dividend distribution for the year 2010 was implemented on 27 May 2011, the exercise price of the stock options was adjusted, upon the Board’s approval, to RMB8.79.

After the proposal on dividend distribution for the year 2011 was implemented on 5 July 2012, the exercise price of the A-share stock options was adjusted, upon the Board's approval, to RMB8.66.

II. The vesting conditions of the first exercise period of the Scheme and the Board's remarks on the fulfillment of the vesting conditions

The Board was of the opinion that the vesting conditions of the stock options had been fulfilled. The beneficiaries of the Scheme had met the conditions for exercising the stock options under the Scheme.

The implementation of the Scheme is consistent with the Scheme approved and announced at the first extraordinary general meeting in 2011 of the Company.

III. The exercise arrangement for the first exercise period of the Scheme

1. The source of shares to be issued under the stock options: new shares to be issued to beneficiaries of the Scheme.
2. The beneficiaries who can exercise their stock options and the number of stock options exercisable during the first exercise period

No.	Name	Capacity	No. of stock options ('000 units)	No. of stock options exercisable in the first exercise period ('000 units)	No. of stock options granted but not yet exercisable ('000 units)
1	Wang Shi	Chairman	6,600	2,640	3,960
2	Yu Liang	President	5,500	2,200	3,300
3	Ding Changfeng	Executive Vice President	2,200	880	1,320
4	Xie Dong	Executive Vice President	2,200	880	1,320
5	Zhang Jiwen	Executive Vice President	2,200	880	1,320
6	Mo Jun	Executive Vice President	2,200	880	1,320
7	Xiao Li	Executive Vice President	2,200	880	1,320
8	Wang	Executive	2,200	880	1,320

	Wenjin	Vice President			
9	Du Jing	Executive Vice President	2,100	840	1,260
10	Zhou Weijun	Executive Vice President	2,000	800	1,200
11	Mao Daqing	Executive Vice President	2,000	800	1,200
12	Tan Huajie	Board Secretary	1,600	640	960
13	703 other core staff members		63,239.5	25,295.8	37,943.7
Total			96,239.5	38,495.8	57,743.7

95 of the proposed beneficiaries had resigned before the first exercise period and therefore failed to qualify for being a beneficiary of the Scheme. As such, pursuant to the relevant requirements of the Scheme, 12,195,500 stock options granted to these 95 beneficiaries but yet to be permitted to be exercised were thus cancelled.

3. Exercise price: Due to the implementation of the proposal on dividend distribution for each of the years 2010 and 2011, the exercise price of the Company's A-share stock options had been adjusted to RMB8.66. Should dividend distribution, transfer of capital surplus reserve to share capital, issue of bonus shares, stock split or stock consolidation etc. occur during the exercise periods, the exercise price of the stock options will be adjusted accordingly.
4. Beneficiaries cannot exercise their stock options during the following periods:
 - (1) The period commencing from the 9 trading days prior to the announcement of a periodic report to the first trading day after the date of announcement of the periodic report;
 - (2) The period commencing from the 3 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 commencing 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.

5. The exercise of stock options will not affect the public float requirement

The number of stock options exercisable this time is 38,495,800, representing 0.35% of the Company's total share capital of 10,995,210,218 shares. Should the stock options exercisable in the first exercise period are fully exercised, the Company's total share capital will increase to 11,033,706,018 shares. As such, it will not violate the public float requirement.

IV. The impact of the exercise of stock options under the Scheme on the Company's financial position and operating results for the relevant financial years

According to the "Accounting Standard for Business Enterprises No. 11 – Share-based payment", the Company shall include based on the best estimate of the number of vested stock options, the services obtained from the beneficiaries during the period in the costs and expenses as well as in the capital surplus reserves at the fair value of the stock options on the grant date. During the exercise period of the stock options, the Company shall make no adjustment to the relevant costs, expenses or the capital surplus reserves which have been recognised. On each balance sheet date, based on the actual number of options exercised, the capital surplus reserves recognised shall be settled.

The beneficiaries opted to make their own decisions with respect to the exercise of their stock options. The independent third party commissioned by the Company had estimated the value of the stock options based on a binomial model for option pricing, and such assessment was reflected in the 2011 annual financial statements. In 2011, the cost of stock options was amortised using the straight-line method. The cost of stock options of RMB1,06,236,000 amortised by the Company for the first, second and third exercise periods was included in the costs and expenses, while the Company's capital surplus reserves increased by RMB1,06,236,000.

If the stock options exercisable in this exercise period are fully exercised, the Company's total share capital will increase by 38,495,800 shares, while capital surplus reserves will increase by RMB294,877,800. If based on the relevant data as at the end of 2011, the basic earnings per share for 2011 would have dropped by RMB0.0031, while the fully diluted return on net assets would have dropped by 0.1137%. With respect to the details of the impact on financial data, the financial data audited by the accountants shall prevail.

V. Conclusive Opinion in Legal Opinion Letter by Lawyer

Guangdong Shu Jin Law Firm is of the opinion that: The beneficiaries, the quantity and the exercise price of the stock options are in compliance with the relevant requirements of the "Measures for the Administration of the Equity Incentive Plans of Listed Companies (Provisional)", "Memorandum of Understanding No. 1-3 on Matters Regarding Equity Incentives", and the "A-Share Stock Option Incentive Scheme (Revised Draft) of China Vanke Co., Ltd.". The exercise of stock options has met the relevant requirements of the Measures for

the Administration of the Equity Incentive Plans of Listed Companies (Provisional), “Memorandum of Understanding No. 1-3 on Matters Regarding Equity Incentives” and the “A-Share Stock Option Incentive Scheme (Revised Draft) of China Vanke Co., Ltd.”

VI. The management and use of the stock option exercise proceeds

The stock option exercise proceeds will be used as the Company’s general working capital. Any unused capital will be kept in a designated account for stock option exercise proceeds.

VII. Ways to handle stock options not meeting the required conditions

The Company will cancel any stock options that fail to meet the required conditions.

VIII. Remarks on other issues

1. Directors and senior management members of the Company participating in the Scheme had not involved in any trading of the Company’s shares within the six months before the grant date.
2. The beneficiaries of the Scheme financed all the costs and expenses incurred in the exercise of stock options and the related personal income tax. The Company undertakes that it will not provide loans or any form of financial assistance (including the provision of guarantees for their loans) to the beneficiaries for acquiring the relevant equity interest under the Scheme.

IX. Documents for inspection

1. The resolutions approved by the Board
2. Opinion of Supervisory Committee
3. Opinion of Independent Directors
4. Opinion of Remuneration and Nomination Committee of the Board
5. Legal Opinion Letter

Board of Directors
China Vanke Co., Ltd.

Shenzhen, 12 July 2012