



**Proposal for Change of Listing Location of  
Domestically Listed Foreign Shares of  
China Vanke Co., Ltd. and  
Listing & Trading on the Main Board of  
The Stock Exchange of Hong Kong Limited  
by Way of Introduction**

**Financial Advisor**



January 2013

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## **Declaration**

The Company and its Board (“Board”) of Directors (“Directors”) warrant the authenticity, accuracy and completeness of this Proposal and its abstract, and individually and collectively accept legal responsibility for any misrepresentation, misleading statement or material omission contained in such Proposal and abstract.

The officer-in-charge of the Company, the officer-in-charge of the accounting functions and the head of the accounting department warrant that the financial and accounting reports in this Proposal and abstract are true, accurate and complete.

Any decision or opinion made with respect to the Proposal by CSRC and other government agencies and institutions will not constitute their substantial judgment or warranty on the value of the Company’s share or the profits of investors. Any statement contrary to it shall be deemed as false representation.

Upon the change of listing location of the Company’s domestically listed foreign shares (B shares), the listing, trading and clearing rules of SEHK shall apply to such shares that have changed their listing location, while relevant listing and trading rules (originally applicable) of SZSE, as well as relevant depository and clearing rules of CSDCC will no longer be applicable. However, the relevant rules applicable to the Company’s RMB common stock (A shares) remain unchanged.

The Company will be independently responsible for any changes in its operation and profits after the completion of this Proposal. Any investment risk arising from this Proposal shall be borne by the respective investors.

In case of any doubt about this Proposal, investors shall seek advice from their respective stock brokers, lawyers, professional accountants or other professional consultants. Investors may enquire the securities team of the Board of Directors’ office of the Company regarding matters related to this Proposal. The enquiry line is 0755-25606666.

This Proposal is available in both Chinese and English versions. If there is any discrepancy in interpretation between the two versions, the Chinese version shall prevail.

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## **Executive Summary**

### **1. Highlights of the Proposal**

As of 31 December 2012, China Vanke Co., Ltd. had 1,314,955,468 domestically listed foreign shares (B shares) in issue. This Proposal is prepared to apply for the change of listing location of the aforementioned issued B shares, and the listing and trading of such B shares on the main board of SEHK by way of introduction, and the conversion of the aforementioned B shares into overseas listed foreign shares (H shares) to be listed on the SEHK.

In order to fully protect the legitimate rights and interests of the B shareholders and to fulfill the purpose of converting the listing location of the Company's domestically listed foreign shares for listing and trading on the SEHK by way of introduction, the Company will arrange third parties to offer cash option to all B shareholders. The existing B shareholders may opt for filing for cash option execution within the specified period to transfer their B shares in part or full to the third parties offering the cash option, or may choose to retain their shareholding until the shares become listed on SEHK, in which case, those shares will be converted from B shares to H shares.

During the filing period to be specified in relevant announcements regarding the execution of cash option, the B shareholders who intend to exercise the cash option may file for cash option execution in accordance with the stipulated manners and procedures. Shares trading on SEHK shall have sufficient liquidity. The Listing Rules of SEHK require an open market for shares seeking a listing. Should an excessively high percentage of cash options being exercised resulting in an extremely low liquidity and insufficient public float, the Company may not be able to meet the listing requirements of the SEHK. According to the Listing Rules of SEHK, a certain proportion of a listed company's issued share capital should be held by the public. At present, the amount of the Company's B shares accounts for 11.96% of the Company's total share capital. The Company plans to apply to SEHK for a waiver allowing for a minimum public float of not less than 8%. China Resources (Holdings) Co., Ltd. and (or) its subsidiaries and Government of Singapore Investment Corporation Pte. Ltd., being the offerers of the cash option under this Proposal, respectively hold more than 10% of the shares in the Company or its subsidiaries, thus shall be deemed as connected parties under the Listing Rules. Shares obtained through the cash options offered by the two aforementioned entities, therefore, shall not be taken into account in the

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calculation of the public float. As such, even with a waiver from SEHK allowing the Company to have a minimum public float of not less than 8%, China Resources (Holdings) Co., Ltd. and (or) its subsidiaries and Government of Singapore Investment Corporation Pte. Ltd. together can only acquire an amount of B shares not exceeding 3.96% of the Company's total share capital, equivalent to approximately one-third of the total number of B shares. Due to the aforementioned factors, in the event that the number of shares filing for cash option execution exceeds one-third of the total numbers of B shares, that is more than 438,318,489 shares have been filed for cash option execution, this Proposal will not be implemented, and China Vanke B shares shall continue to be traded on the SZSE B share market.

If the above-mentioned situation does not occur upon expiry of the filing period, settlement of the cash options will be effected, with consideration for B shares settled and respective shares transferred. Those B shares effectively filed for cash option execution within the filing period shall be entitled to a cash consideration to be paid at a price stipulated in the Proposal by the offerers of the cash option. The consideration of the cash option has been determined at HK\$13.13 per share, representing a 5% premium to the closing price of the Company's B shares on the day immediately preceding the suspension of trading (25 December 2012) of HK\$12.50 per share.

Detailed arrangements of the cash option proposal for China Vanke B shareholders (including but not limited to the period for filing for cash option execution, filing for cash option execution and settlement of cash option) will be disclosed in due course, in accordance with applicable legislations and regulations.

For B shares held by inactive accounts and have not been filed for cash option execution or have not been effectively filed for cash option execution, the listing location of the aforesaid shares will be changed, and will be listed and traded on the main board of SEHK by way of introduction after completion of the approval process and implementation of this Proposal.

For the B shares held by all the B shareholders after the implementation of cash option proposal, the Board of the Company's authorized nominal holder will open an H share account on behalf of all B shareholders in due course, at qualified Hong Kong securities firms designated by the Board of the Company (for agency trade, registration and settlement for investors only), and will act as depository agent of the Company's H shares

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and to handle relevant matters (details of operation and rights and obligation of the involved parties will be announced separately).

Qualified overseas investors may transfer their H shares to existing H share accounts, or apply to open independent H share accounts at designated qualified Hong Kong securities firms or other qualified overseas securities companies and transfer their H shares to the newly opened H share accounts after the registration of the Company's H shares.

In the event of successful completion of implementation of this Proposal, and after the listing and trading of the Company's shares on the main board of SEHK, H shareholders can choose to conduct their transactions via the trading systems of domestic securities firms or overseas securities firms, in accordance with their individual situation and own will, but should be in compliance with relevant rules and regulations. Overseas investors conducting transactions outside Mainland China could, in accordance with the general H share trading regulations, buy or sell the Company's H shares. The trading manner of domestic investors and overseas investors conducting transactions within Mainland China in the future will basically remain unchanged, except for the change in stock code (the stock code after the aforementioned change will be announced separately). However, subject to restriction of relevant laws and regulations, the aforesaid investors only have the rights to hold or sell the Company's H shares. The proceeds from their disposal of the Company's H shares shall be promptly remitted into Mainland China. Should the relevant laws and regulations in the future allow domestic residents to purchase overseas shares, the above-mentioned domestic investors and overseas investors conducting transactions within Mainland China may, through qualified securities firms, buy or sell the Company's H shares.

Before domestic residents become eligible for subscription of overseas securities, or before the disposal of all of the H shares traded through the trading systems of domestic securities companies, the Company will cautiously consider the fact that certain H share accounts' trading rights are subject to restriction, and will take into full account the fairness in participation by all types of shareholders, in the handling of certain relevant significant events such as rights issue.

The Company will prepare the Articles of Association of China Vanke Co., Ltd. (A+H) in accordance with Mandatory Provisions for Articles of Association of Companies Listed Overseas, Letter of Comment on Supplementary Amendment to Articles of Association of

Companies Listed in Hong Kong (“ZJHH [1995] No.1”) and Opinions on Promotion of Compliance in Operation and Intensified Reform of Companies Listed Overseas, and with reference to relevant requirements of Guidelines for the Articles of Association of Listed Companies 2006 Amendment and Listing Rules of SZSE (2012 Amendment). The draft of document will be submitted for approval at the shareholders’ meeting of the Company. The Articles of Association (A+H) will become effective on the date of listing of the Company’s H shares, following the approval by the shareholders’ meeting and relevant supervisory departments. The Company, upon the listing of its H shares, will convene meetings for different categories of shareholders in accordance with the criteria specified in the Articles of Association (A+H). The Company’s existing articles of association shall continue to be in force prior to the listing of its H shares.

The significant time lines for this Proposal are set out below. The detailed schedule and operational procedure about cash option will be announced separately.

<b>Time line</b>	<b>Item</b>
T	1. Publicise the Board’s resolution and relevant documents of this Proposal 2. Serve notice of an extraordinary general meeting
T+2	Resume trading of the Company’s A shares and B shares
T+5	The record date for A shareholders’ participation in shareholders’ meeting and the last trading day before B shareholders’ participation in shareholders’ meeting
T+16	Convene extraordinary general meeting and review resolution(s) related to this Proposal
T+17	Publicise the resolution(s) approved at the extraordinary general meeting
Notes	Obtain approval from CSRC
	Hearing by Listing Committee of SEHK
	1. SEHK approves in principle the listing of H shares 2. Suspend trading of B shares (the day immediately preceding such day is the last trading day of B shares)
	Execution of B shares’ cash option
	Publication of notice regarding results of the execution of B shares’ cash option
	Obtain the official approval for the listing of H shares from SEHK
	Listing and trading of H shares on SEHK

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Note:

This Proposal is subject to approvals and ratifications by relevant governmental departments and agencies, including the regulatory bodies in Hong Kong, and there are uncertainties in the time required for the performance of such legal proceedings. The Company will adjust the timetable of the Proposal in accordance with the actual situation.

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## **2. Associated risks and key issues**

### **(a) Risk of failure to obtain approvals**

The Board of the Company reviewed and approved this Proposal and relevant matters through voting by correspondence. However, this Proposal shall also be subject to the following authorizations and approvals:

1. This proposal shall be reviewed at an extraordinary general meeting, and shall obtain the consent of more than two-thirds of the voting rights of all shareholders and B shareholders attending the shareholders' meeting respectively;

2. The Company's application for listing and trading of its B shares on the main board of SEHK by way of introduction requires the Company's submission of documents related to the application to CSRC for ratification;

3. The Company's application for listing and trading of its B shares on the main board of SEHK by way of introduction requires the Company's submission of relevant documents for SEHK's approval;

4. Review or approval by other governmental departments and agencies (if necessary).

This Proposal will be terminated should it fail to obtain any one of the above-mentioned ratifications or approvals.

### **(b) Risk related to the cash option and its related risks of termination of the Proposal**

Under this Proposal, the cash option will be offered by third parties to all B shareholders. According to the Listing Rules of SEHK, a certain proportion of a listed company's issued share capital should be held by the public. At present, the amount of the Company's B shares accounts for 11.96% of the Company's total share capital. The Company plans to apply to SEHK for a waiver allowing for a minimum public float of not less than 8%. China Resources (Holdings) Co., Ltd. and (or) its subsidiaries and Government of Singapore Investment Corporation Pte. Ltd., being the offerers of the cash option under this Proposal, respectively hold more than 10% of the shares in the Company or its subsidiaries, thus shall be deemed as connected parties under the Listing Rules. Shares obtained through the cash options offered by the two aforementioned entities,



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therefore, shall not be taken into account in the calculation of the public float. As such, even with a waiver from SEHK allowing the Company to have a minimum public float of not less than 8%, China Resources (Holdings) Co., Ltd. and (or) its subsidiaries and Government of Singapore Investment Corporation Pte. Ltd. together can only acquire an amount of B shares not exceeding 3.96% of the Company's total share capital, equivalent to approximately one-third of the total number of B shares. Due to the aforementioned factors, in the event that the number of shares that have been filed for cash option execution during the filing period exceeds one-third of the total number of B shares, that is more than 438,318,489 shares have been filed for cash option execution, this Proposal will not be implemented, the Company's B shareholders shall not exercise the cash option and China Vanke B shares shall continue to be traded on the SZSE B share market.

B shareholders of the Company shall file for cash option execution within the filing period. Provided that the number of shares effectively filed for cash option execution does not exceed 438,318,489 shares, those B shares effectively filed for cash option execution shall be entitled to a cash consideration to be paid at a price stipulated in the Proposal by the offerers of the cash option. Cash options that have not been filed for cash option execution during the specified periods shall become invalid. Details of the share registration date of the cash option, period for filing for cash option execution, filing for cash option execution and settlement of the cash option will be announced separately. If investors have not filed for cash option execution or the filing has become invalid, the B shares held by such investors will change its listing location and become listed and traded on the main board of SEHK by way of introduction upon the approval and implementation of this Proposal.

### **(c) Risk of different investment environment**

B shares market and H shares market have different trading features (such as trading volume and liquidity) and different levels of participation between retail and institutional investors. Due to the existence of such differences, the trading prices of the Company's B shares and future H shares may not necessarily be the same. The Company cannot guarantee that the price of future H shares will be higher than or equal to the price of B shares prior to the change of listing location. In addition, the price movements of the Company's A and H shares may have interrelated effect to each other.

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**(d) Risk of uncontrollable time of implementation**

The implementation of this Proposal shall be subject to the securing of various authorizations and approvals mentioned in the above-mentioned “Risk of failure to obtain approvals”; there are uncertainties in the time required for the performance of such legal proceedings.

**(e) Risk of inconvenience in trading**

After the implementation of this Proposal, for domestic investors and overseas investors conducting transactions within Mainland China, their operating manners, compared with those for B shares traded through the trading systems of domestic securities companies, basically remain unchanged; however, the change of stock code may give rise to risk of inconvenience in trading.

**(f) Risk of trading system**

After the successful listing and trading of the Company’s shares on the main board of SEHK, the Company’s original B shareholders may conduct transactions of H shares through the trading systems of domestic securities companies or the trading systems of overseas securities companies in accordance with their respective situation and own will, but should be in compliance with applicable legislations, regulations and trading rules. There may be differences between the H share trading systems to be applied and the previous B share trading systems, and the new trading systems may involve various aspects at home and abroad. Investors may, face risks of a trading system different from the previous one.

**(g) Risk of increase in trading expenses**

After the implementation of this Proposal, domestic investors and overseas investors conducting transactions within Mainland China shall pay corresponding commissions to such domestic securities companies, and bear the normal trading expenses with respect to H shares. The investors shall also be liable for certain special trading expenses of the H shares market, including but not limited to custodian fees and transfer fees, fees for collecting dividend and bonus shares.

For domestic investors and overseas investors conducting transactions within Mainland China, the designated qualified Hong Kong securities firm(s) will collect and remit the proceeds from their share disposals in Hong Kong to Mainland China. Such

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proceeds shall then be transferred to the settlement reserve account of the domestic securities companies by CSDCC. The fund remittance involves certain cross-border conversion cost. It may lead to relatively high cross-border conversion cost for each share on that day, particularly when the trading volume is low on the day of remittance. Such cost will ultimately be borne by investors trading through the trading systems of domestic securities firms, leading to a higher transaction cost.

#### **(h) Risk of different trading hours**

After the implementation of this Proposal, for domestic investors and overseas investors conducting transactions within Mainland China, their trading hours are different from that of overseas investors conducting transactions outside Mainland China:

1. The trading hours for H shares are 5.5 hours per day, from 9:30 am to 12:00 pm noon and 1:00 pm to 4:00 pm; the trading hours for domestic securities are 4 hours per day, from 9:30 am to 11:30 am and 1:00 pm to 3:00 pm;
2. The public holidays are different between Mainland China and Hong Kong.

The above-mentioned differences may lead to a certain extent of unequal situations between domestic investors and overseas investors conducting transactions within Mainland China, and overseas investors conducting transactions outside Mainland China.

#### **(i) Restriction on trading rights**

According to the requirements of the relevant regulations of the PRC, domestic residents, at present, are not allowed to purchase overseas securities directly. Thus, after the completion of the implementation of this Proposal, domestic investors only have the rights to hold or sell the Company's H shares. The proceeds from the aforementioned investors' disposal of the Company's H shares shall be promptly remitted into Mainland China. Should the relevant laws and regulations in the future allow domestic residents to purchase overseas shares, domestic investors may, through qualified securities firms, buy or sell the Company's H shares. Overseas investors who opt for transacting H shares through the trading systems of domestic securities companies are subject to the same restrictions as domestic investors.

Overseas investors conducting transactions outside Mainland China are not subject to the aforesaid restriction and could, in accordance with the general H share trading regulations, buy or sell the Company's H shares.

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**(j) Risk of inactive accounts**

For B shares held by inactive accounts and have not been filed for cash option execution or have not been effectively filed for cash option execution, the listing location of the aforesaid shares will be changed, and will be listed and traded on the main board of SEHK by way of introduction after completion of the approval process and implementation of this Proposal.

**Investors are hereby advised to pay attention to the above issues and to carefully study the relevant chapters in this Proposal. There may be slight discrepancy in mantissa between some of the aggregate figures and the sum by adding up various figures; or between the value of proportion and relevant corresponding figures. These discrepancies are the results of rounding up.**

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## Definition

Unless otherwise suggested in the content, meaning of the following abbreviations are applied in this proposal:

The Company/Company/China Vanke	refers to	China Vanke Co., Ltd.
This proposal/The Proposal	refers to	The proposal of changing the location of the 1,314,955,468 domestically listed foreign shares in the Company and the listing and trading of such shares on the main board of SEHK by way of introduction
China Vanke A Share/A Share	refers to	Issued ordinary shares of the Company denominated in Renminbi
China Vanke B Share/B Share	refers to	Issued domestically listed foreign shares of the Company
H Share	refers to	Overseas listed foreign shares listed in Hong Kong
CSRC	refers to	China Securities Regulatory Commission
SZSE	refers to	Shenzhen Stock Exchange
CSDCC	refers to	China Securities Depository and Clearing Corporation Limited
SEHK/SE	refers to	The Stock Exchange of Hong Kong Limited
HKSCC	refers to	Hong Kong Securities Clearing Company Limited
Financial Advisor / CITIC Securities	refers to	CITIC Securities Company Limited
Legal counsel in China/ Shu Jin Law Firm	refers to	Shu Jin Law Firm
Legal counsel in Hong Kong / Paul Hastings	refers to	Paul Hastings LLP
Domestic investors	refers to	Domestic investors who trade through the trading systems of domestic securities firms
Overseas investors conducting transactions within Mainland China	refers to	Overseas investors who have not opened H shares account directly in overseas securities companies and continue to trade through the trading systems of domestic securities companies
Overseas investors conducting transactions outside Mainland China	refers to	Overseas investors who have opened independent H share accounts in qualified overseas securities companies, and whose H shares shall be deposited to such accounts after the listing of the Company's H shares, and who trade through the trading systems of overseas securities companies
Designated qualified Hong Kong	refers to	Securities firms at which the Board of the Company's

securities firms		designated nominal holder under the authorisation of the Company's shareholders' meeting, opens an H share account on behalf of all B shareholders, and such securities firms are designated by the Board under the authorisation of the shareholders' meeting
Trading systems of domestic securities firms	refers to	Securities trading systems provided by domestic securities brokerage firms
Trading systems of overseas securities firms	refers to	Securities trading systems provided by overseas securities brokerage firms
Company Law	refers to	Company Law of the People's Republic of China ("PRC")
The Securities Law	refers to	The Securities Law of the PRC
Listing rules of SZSE	refers to	The Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange (2012 amendment)
Listing rules of SEHK	refers to	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Articles of Association	refers to	Articles of Association of China Vanke Co., Ltd.
Articles of Association (A+H)	refers to	Articles of Association of China Vanke Co., Ltd. (A+H)
RMB	refers to	Renminbi
HK\$	refers to	Hong Kong Dollar, the official currency of Hong Kong Special Administrative Region



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## **Chapter 1 Basic information of the Company**

### **I. Basic information of the Company**

Chinese name: 万科企业股份有限公司

English name: CHINA VANKE CO. LTD.

Share abbreviation and stock codes: Vanke A 000002

Vanke B 200002

Registered capital: RMB10,995,210,218

Date of establishment: 30 May 1984

Legal representative: Wang Shi

Secretary of the Board: Tan Huajie

Registered address: Vanke Center, No. 33 Huanmei Road, Dameisha, Yantian District, Shenzhen, Guangdong Province, the People's Republic of China

Postal code: 518083

Tel: 0755-25606666 Fax: 0755-25531696

Corporate website: <http://www.vanke.com>

E-mail address: IR@vanke.com

Scope of principal businesses: engagement in industrial activities (details on specific projects are to be disclosed separately); domestic commercial activities; supply and sale of materials (excluding commodities specially operated, controlled and sold by authorities); import and export businesses (carried out in accordance with the requirements of the Foreign Trading Company Approval Certificate (Shen Jing Fa Shen Zheng Zi No. 113); property development.

### **II. The Company's establishment and change in share capital**

#### **(I) The Company's establishment and its share capital and shareholding structure at the time of establishment**

The Company's predecessor, Exhibition Centre for Modern Science and Education

Equipment, was established in May 1984, engaging in the import and sale of office equipment and visual equipment. It changed its name to “Shenzhen Modern Science Equipment Centre” in 1987, and to “Shenzhen Modern Enterprise Co., Ltd.” in 1988. In November 1988, approved under “Shen Fu Ban (1988) No. 1509 Document, Shenzhen Modern Enterprise Co., Ltd. underwent a share reform and restructuring and was renamed as “Shenzhen Vanke Co., Ltd.”

At the time of its establishment, the Company’s total share capital was 41,332,680 shares. Of the share capital, the value of 13,246,680 shares (each with a value of RMB1) was represented by the net asset value of RMB13,246,680 of Shenzhen Modern Enterprise Co., Ltd. These shares were later regarded as State-owned and legal person shares. The Company also issued to other promoters and the public 28,086,000 A shares at the issue price of RMB1 per share, raising total proceeds of RMB28,086,000. On 29 January 1991, the Company’s A shares issued to the public became listed and commenced trading on the SZSE, under the stock code of “0002”.

The Company’s shareholding structure at the time of its establishment was as follows:

Type of shares	No. of shares (shares)	As a percentage of total share capital (%)
Transfer of net asset value of Shenzhen Modern Enterprise Co., Ltd.	13,246,680	32.05
Of which: State-owned shares	7,948,008	19.23
Legal person shares	5,298,672	12.82
Other promoters’ shares and public shares	28,086,000	67.95
<b>Total</b>	<b>41,332,680</b>	<b>100</b>

## (II) Significant changes in the Company’s shareholdings

### 1. Profit appropriation, rights issue and placing of new shares to legal persons

In May 1991, as approved by “(91) Shen Ren Yin Fu Zi No. 039 Document” regarding the “Approval of Shenzhen Vanke Co., Ltd.’s bonus distribution and share capital enlargement for the year 1990” of the Shenzhen Special Economic Zone Branch of the People’s Bank of China, the Company implemented the profit appropriation proposal for the year 1990: one bonus share was distributed for every 5 existing shares held, with an aggregate of 8,266,536 bonus shares distributed; and based on the total share capital of

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41,332,680 shares, one new share was offered for every 2 existing shares shown on the Company's register of members at RMB4.4 per share, with 20,666,340 new shares issued; also, and another 7,700,000 new shares were placed to legal personas at RMB4.8 per share. After the implementation of the proposal, the Company's total share capital increased to 77,965,556 shares.

## **2. Profit appropriation resulted in increase in share capital**

In March 1992, upon approval at the Company's 4th Annual General Meeting, the Company implemented its profit appropriation proposal, according to which 1 bonus share was distributed for every 5 existing shares held. After the bonus share issue, the Company's total share capital increased to 92,364,611 shares.

## **3. Profit appropriation and transfer of capital surplus reserve to share capital**

In March 1993, upon approval of the Company's 5th Annual General Meeting and "Shen Ren Yin Fu Zi (1993) No. 123 Document of the Shenzhen Special Economic Zone Branch of the People's Bank of China, the Company implemented its profit appropriation proposal, according to which 1 bonus share was distributed for every 4 existing shares held, a cash dividend of RMB0.06 was paid for each existing share held, the transfer of capital surplus reserve to share capital was proceeded on the basis of 1 share issued for every 4 existing shares held. Upon completion, the Company's total share capital increased to 138,546,916 shares.

## **4. Issue of B shares to foreign investors**

In March 1993, the Company issued 45 million Vanke B shares at the issue price of HK\$10.53 per share, raising proceeds of HK\$451.35 million, which were mainly used for investment in property development. On 28 May 1993, the Company's B shares became listed on the SZSE under the stock abbreviation "Shen Vanke B", with stock code "2002". The Company's total share capital increased to 183,546,916 shares.

## **5. Profit appropriation resulted in increase in share capital**

In May 1994, upon approval at the Company's 6th Annual General Meeting, the Company implemented its profit appropriation proposal, according to which 3.5 bonus shares were distributed and a cash dividend of RMB1.5 was paid for every 10 existing A shares held; and 485 bonus shares were distributed and a cash dividend of RMB208 was paid for every 2,000 existing B shares held. After the bonus share issue, the Company's

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total share capital increased to 242,955,336 shares.

#### **6. Profit appropriation resulted in increase in share capital**

In June 1995, upon approval at the Company's 7th Annual General Meeting, the Company implemented its profit appropriation proposal, according to which 1.5 bonus shares were distributed and a cash dividend of RMB1.5 was paid for every 10 existing shares held. After the bonus share issue, the Company's total share capital increased to 279,398,636 shares.

#### **7. Implementation of employees share option scheme**

Upon approval of "Shen Ren Yin Fu Zi (1993) No. 123 Document of the Shenzhen Special Economic Zone Branch of the People's Bank of China, in October 1995, the Company implemented an employees share option scheme, pursuant to which 8,826,500 shares were issued at the issue price of RMB3.01 per share. The share capital created upon the implementation of the scheme was included in the Company's total share capital in 1995, thereby increasing the total share capital to 288,225,136 shares.

#### **8. Profit appropriation resulted in increase in share capital**

In June 1996, upon approval at the Company's 8th Annual General Meeting, the Company implemented its profit appropriation proposal, according to which 1 bonus share was distributed and a cash dividend of RMB1.4 was paid for every 10 existing shares held. After the bonus share issue, the Company's total share capital increased to 317,047,649 shares.

#### **9. Profit appropriation resulted in increase in share capital**

In June 1997, upon approval at the Company's 9th Annual General Meeting, the Company implemented its profit appropriation proposal, according to which 1.5 bonus shares were distributed and a cash dividend of RMB1 was paid for every 10 existing shares held. After the bonus share issue, the Company's total share capital increased to 364,604,796 shares.

#### **10. Rights Issue**

In June 1997, the Company conducted a rights issue on the basis of 2.37 new shares offered for every 10 existing shares held; among which, the issue price for A share was RMB4.5 per share, and a total of 66,973,802 shares were actually issued; the issue price for

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B share was HK\$4.2 per share, and a total of 19,278,825 shares were actually issued. The total proceeds thus raised amounted to RMB383 million, which were mainly used for the investment in residential property development in Shenzhen. After the completion of the rights issue, the Company's total share capital increased to 450,857,423 shares.

### **11. Profit appropriation resulted in increase in share capital**

In May 1998, upon approval at the Company's 10th Annual General Meeting, the Company implemented its profit appropriation proposal, according to which 1 bonus share was distributed and a cash dividend of RMB1.5 was paid for every 10 existing shares held. After the bonus share issue, the Company's total share capital increased to 495,943,165 shares.

### **12. Profit appropriation resulted in increase in share capital**

In June 1999, upon approval at the Company's 11th Annual General Meeting, the Company implemented its profit appropriation proposal, according to which 1 bonus share was distributed and a cash dividend of RMB1 was paid for every 10 existing shares held. After the bonus share issue, the Company's total share capital increased to 545,537,481 shares.

### **13. Equity transfer**

In July 1999, upon approval of "Shen Fu Ban (1999) No. 24 Document issued by the Office of the People's Government of Shenzhen Municipality and "Shen Guo Zi Ban (1998) No. 117 Document" issued by the Office of Shenzhen State-owned Assets Administration, the Company's third largest shareholder, Shenzhen Investment Management Corporation (深圳市投资管理公司), transferred its 14,497,425 State-owned legal person shares held in the Company to its wholly-owned subsidiary, Shenzhen Special Economic Zone Development (Group) Company (深圳经济特区发展(集团)公司), being the Company's largest shareholder. After the transfer, the State-owned legal person shares held by Shenzhen Special Economic Zone Development (Group) Company in the Company increased from 31,859,139 shares to 46,356,564 shares, with the shareholding in the Company increased from 6.42% to 9.35%. Shenzhen Investment Management Corporation continued to hold 1,449,742 State-owned legal person shares in the Company, representing 0.29% of the Company's total share capital.

### **14. Rights issue**

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In early 2000, the Company conducted a rights issue on the basis of 2.727 new shares offered for every 10 existing shares held at an issue price of RMB7.5 per share. A total of 85,434,460 shares were actually issued. Total proceeds amounted to RMB625 million, which were mainly used for the investment in property development in Shenzhen, Shanghai, Beijing. After the completion of the rights issue, the Company's total share capital increased to 630,971,941 shares.

### **15. Equity transfer of the Company's single largest shareholder**

On 20 June 2000, the Company's single largest shareholder, Shenzhen Special Economic Zone Development (Group) Company, and China Resources National Corporation entered into an equity transfer agreement, disposing all of the 51,155,599 State-owned legal person shares it held in the Company to China Resources National Corporation. The disposed shares represented 8.11% of the Company's total share capital. The equity transfer agreement was approved under the "Cai Qi (2000) No. 131 Document of Ministry of Finance.

In December 2000, China Resources National Corporation acquired 26,920,150 legal person shares of the Company from Tem Fat Hing Fung (Changzhou) Development Co., Ltd. After the share transfer, China Resources National Corporation held an aggregate of 78,075,749 shares in the Company.

### **16. Issue of convertible bonds**

Approved by the Zheng Jian Fa Xing Zi (2002) No. 52 Document of CSRC, the Company issued to the public in 2002, 15 million convertible bonds with a par value of RMB100 each. The total issue amount was RMB1.5 billion. Up to 22 May 2003, the Vanke convertible bonds had been converted into 45,928,029 shares, increasing the Company's total share capital to 676,899,970 shares.

### **17. Transfer of capital surplus reserve to share capital**

In May 2003, upon approval at the Company's 15th Annual General Meeting, the Company implemented its profit appropriation proposal, according to which a cash dividend of RMB2 was paid for every 10 existing shares held and the transfer of capital surplus reserve to share capital was proceeded on the basis of 10 shares issued for every 10 existing shares held. After the transfer, the Company's total share capital had been increased to 1,353,799,940 shares.

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## **18. Equity transfer**

On 27 June 2003, China Resources National Corporation transferred all of its equity interests in the Company to China Resources Co., Limited.

## **19. Profit appropriation and transfer of capital surplus reserve to share capital**

In May 2004, upon approval at the Company's 16th Annual General Meeting, the Company implemented its profit appropriation proposal, according to which a cash dividend of RMB0.5 was paid and 1 bonus share was distributed for every 10 existing shares held and the transfer of capital surplus reserve to share capital was proceeded on the basis of 4 shares issued for every 10 existing shares held. After the implementation of the proposal, the Company's total share capital had been increased to 2,273,627,871 shares.

## **20. Issue of convertible bonds**

In September 2004, upon the approval at the Company's 2003 First Extraordinary General Meeting and the approval by Zheng Jian Fa Xing Zi (2004) No. 151 Document of CSRC, the Company issued to the public 19.9 million convertible bonds with a par value of RMB100 each. The total issue amount was RMB1.99 billion. As of 17 June 2005, a total of 336,220 shares had been converted from "Vanke Convertible Bonds Tranche 2", increasing the Company's total share capital to 2,273,964,091 shares.

## **21. Transfer of capital surplus reserve to share capital**

In June 2005, upon approval at the Company's 17th Annual General Meeting, and based on the total share capital as at the close of market on 17 June 2005, the Company proceeded with the transfer of capital surplus reserve to share capital on the basis of 5 shares issued for every 10 existing shares held. After the transfer, the Company's total share capital was 3,410,946,136 shares.

## **22. Issue of convertible bonds**

As of 14 April 2006, a total of 558,952,615 shares had been converted from "Vanke Convertible Bonds Tranche 2", increasing the Company's total share capital to 3,969,898,751.

## **23. Private placing in 2006**

In August 2006, upon the approval at the Company's 2006 First Extraordinary General

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Meeting and the approval by Zheng Jian Fa Xing Zi (2006) No. 150 Document, of CSRC, the Company conducted a private placing of 400 million A shares with 10 specified target investors, including China Resources Co., Limited. The Company's total share capital had been increased to 4,369,898,751 shares.

**24. Largest shareholder increased its shareholding in the Company through the issue of “Vanke HRP1” put warrants**

China Resources Co., Limited issued “Vanke HRP1” put warrants with a term of nine months. During the exercisable period, i.e. within the five trading days from 29 August 2006 to 4 September 2006, 15,953 “Vanke HRP1” put warrants were exercised. The number of the Company's A shares held by China Resources Co., Limited increased from 525,487,521 shares prior to the exercise of “Vanke HRP1” put warrants to 525,503,474 shares, representing 13.24% of the Company's total share capital.

**25. Transfer of capital surplus reserve to share capital in 2007**

On 13 April 2007, upon the approval of the dividend distribution and transfer of capital surplus reserve to share capital proposal for the year 2006 at the Company's 2006 Annual General Meeting, the Company agreed to proceed with the transfer of capital surplus reserve to share capital on the basis of 5 shares issued for every 10 existing shares held. After the transfer, the Company's total share capital was 6,554,848,126 shares.

**26. Public offer in 2007**

In August 2007, upon the approval by Zheng Jian Fa Xing Zi (2007) No. 240 Document of CSRC, the Company issued to the public 317,158,261 new A shares. The Company's total share capital had been increased to 6,872,006,387 shares.

**27. Transfer of capital surplus reserve to share capital in 2008**

Upon the approval of the Company's 2007 Annual General Meeting, in June 2008 the Company implemented the proposal regarding the transfer of capital surplus reserve to share capital on the basis of 6 shares issued for every 10 existing shares held, resulting in an increase of 4,123,203,831 shares in the share capital. The Company's total share capital had been increased to 10,995,210,218 shares.

**28. The A-Share Stock Option Incentive Scheme in 2012 led to increase in share capital**



On 8 April 2011, the first extraordinary general meeting of the Company considered and approved the A-Share Stock Option Incentive Scheme. On 9 May 2011, the registration of the granting of stock options was completed. The exercise price of the stock options was RMB8.89. After the Company implemented the proposal for dividend distribution for the year 2010 on 27 May 2011, and the proposal for dividend distribution for the year 2011 on 5 July 2012, the exercise price of the A-share stock options was adjusted to RMB8.66.

As at 31 December 2012, owing to the exercise of stock options, the Company's share capital had been increased by 324,900 shares to 10,995,553,118 shares.

### III. Changes in controlling interests in the past three years

There were neither controlling shareholders nor beneficial controllers in the Company, and China Resources Co., Limited had remained as the Company's single largest shareholder in the past three years.

### IV. Shareholdings of the top 10 shareholders and top 10 B shareholders of the Company

As at 31 December 2012, the total number of Company's shares amounted to 10,995,553,118, of which 9,680,597,650 were A shares and 1,314,955,468 were B shares. Shareholdings of the top 10 shareholders of the Company were as follows:

No.	Name of shareholder	Classification of shareholder	Percentage of shareholdings (%)	Total number of shares held	Class of shares
1	China Resources Co., Limited	State-owned legal person	14.72%	1,619,094,766	A shares
2	China Life Insurance Company Limited – Dividend Distribution–Individual Dividend-005L-FH002 Shen	Others	1.27%	139,383,483	A shares
3	Bank of China – E Fund Shenzhen Stock Exchange 100 Exchange-Traded Fund	Others	1.22%	134,010,293	A shares
4	Liu Yuansheng	Others	1.22%	133,791,208	A shares
5	Industrial and Commercial Bank of China – Rongtong Shenzhen Stock Exchange 100 Index Securities	Others	0.94%	103,099,063	A shares

	Investment Fund				
6	HTHK/CMG FSGUFP-CMG FIRST STATE CHINA GROWTH FD	Foreign shareholder	0.88%	96,221,388	B shares
7	Bosera Value Growth Securities Investment Fund	Others	0.83%	91,738,052	A shares
8	China Minsheng Banking Corp. Ltd. – Yinhua Shenzhen Stock Exchange 100 Index Classified Securities Investment Fund	Others	0.83%	88,427,740	A shares
9	UBS AG	Others	0.78%	85,526,491	A shares
10	MORGAN STANLEY & CO. INTERNATIONAL PLC	Others	0.65%	82,419,464	A shares

Note: The shares held by the above-mentioned top 10 shareholders were shares without trading restrictions

As of 31 December 2012, the number of B shares in the Company amounted to 1,314,955,468 shares. Shareholdings of the top 10 B shareholders of the Company are as follows:

No.	Name of shareholder	Classification of shareholder	Percentage of shareholdings (%)	Total number of shares held	Class of shares
1	HTHK/CMG FSGUFP-CMG FIRST STATE CHINA GROWTH FD	Foreign shareholder	0.88%	96,221,388	B share
2	HTHK-MANULIFE CHINA VALUE FUND	Foreign shareholder	0.53%	58,487,976	B share
3	VALUE PARTNERS CLASSIC FUND	Foreign shareholder	0.49%	54,378,556	B share
4	JPMORGAN FUNDS	Foreign shareholder	0.45%	49,729,246	B share
5	BANK OF NEW YORK-MATTHEWS PACIFIC TIGER FUND	Foreign shareholder	0.44%	48,875,258	B share
6	TOYO SECURITIES ASIA LIMITED-A/C CLIENT.	Foreign shareholder	0.44%	48,009,116	B share
7	NAITO SECURITIES CO., LTD.	Foreign shareholder	0.38%	41,707,165	B share

No.	Name of shareholder	Classification of shareholder	Percentage of shareholdings (%)	Total number of shares held	Class of shares
8	GOVERNMENT OF SINGAPORE INV. CORP.- A/C "C"	Foreign shareholder	0.33%	36,083,613	B share
9	MANULIFE GLOBAL FUND	Foreign shareholder	0.32%	35,200,665	B share
10	MIF-MATTHEWS DRAGON CENTURY CHINA FUND	Foreign shareholder	0.28%	30,999,168	B share

Note: The shares held by the above-mentioned top 10 B shareholders were shares without trading restrictions.

## **V. Basic information on the Company's single largest shareholder**

The Company had a relatively diversified shareholding structure, with no controlling shareholder or beneficial controller. As at 31 December 2012, China Resources Co., Limited held 1,619,094,766 A shares in the Company, representing 14.72% of the Company's total shares, being the Company's single largest shareholder.

### **(I) About the Company's single largest shareholder**

China Resources Co., Limited was promoted and established by China Resources National Corporation in June 2003, with Mr Song Lin as its legal representative. China Resources Co., Limited's major assets include 100% equity interests in China Resources (Holdings) Co., Ltd. in Hong Kong and other assets in the PRC. Its core businesses include investments in finance, insurance, energy, transportation, electricity, communications, storage and logistics, food and beverage producers; investments in and management of retailers (including supermarket chains) and civil construction and engineering; manufacturing of petrochemicals, textile products and construction materials; processing, manufacture, and sale of electronic and mechanical and electrical products; property management, exterior and interior decorations of civil construction projects; technology exchange, etc. The registered address of China Resources Co., Limited is Unit 2801, 2805-06, 28/F China Resources Building, No. 5001 Shennan East Road, Luohu District, Shenzhen. China Resources Co., Limited has a registered capital of approximately

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RMB16,467 million.

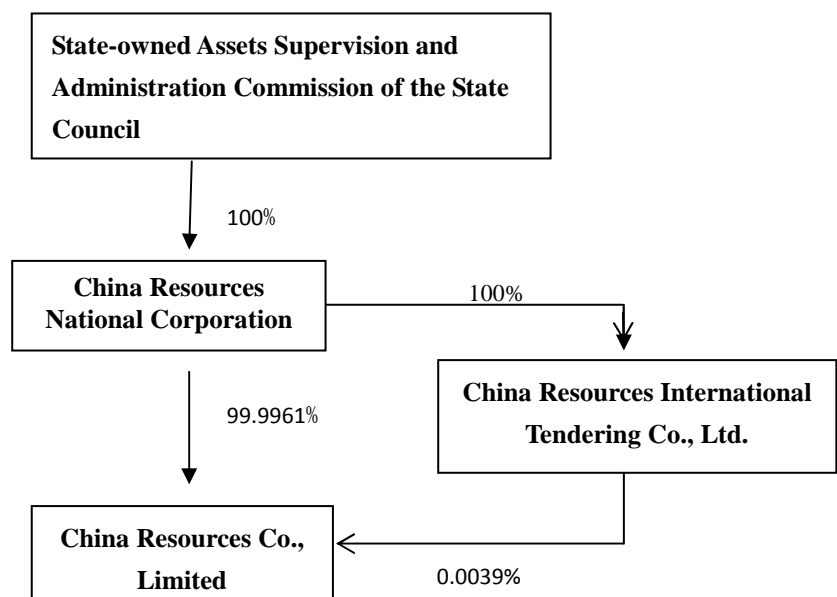
China Resources National Corporation holds 16,466,413,526 State-owned shares in China Resources Co., Limited, representing 99.9961% of China Resources Co., Limited's total share capital. China Resources International Tendering Co., Ltd., a wholly-owned subsidiary of China Resources National Corporation, owns 650,000 State-owned legal person shares in China Resources Co., Limited, representing 0.0039% of China Resources Co., Limited's total share capital.

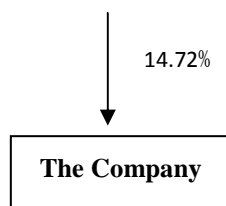
**(II) About the controlling shareholder of the Company's single largest shareholder**

China Resources National Corporation has a registered capital of approximately RMB11,694 million. Its major assets are the equity interests in China Resources Co., Limited. It is under the direct supervision of the State-owned Assets Supervision and Administration Commission of the State Council. Mr Song Lin is the legal representative of China Resources National Corporation.

**(III) Equity relationship between the Company and its single largest shareholder**

The following chart shows the equity relationship between the single largest shareholder and the Company as at 31 December 2012:





## VI. Core businesses

The Company's core businesses: Real estate development and property management. Revenue of the Company's core businesses accounted for 99.40% on average of its operating revenue for the past three years and the most recent interim period.

Below is the breakdown of the Company's operating revenue for the past three years:

Unit: RMB'000

Item	Jan-Jun 2012	2011	2010	2009
Revenue of core businesses	30,568,780.1	71,219,771.8	50,461,539.1	48,645,027.5
Include: Development and sale of properties	30,217,928.8	70,646,855.4	50,030,951.7	48,316,228.6
Property management	350,851.3	572,916.4	430,587.4	328,798.9
Revenue of other businesses	154,211.1	562,978.0	252,312.3	235,985.6
<b>Total operating revenue</b>	<b>30,722,991.2</b>	<b>71,782,749.8</b>	<b>50,713,851.4</b>	<b>48,881,013.1</b>

Source: The Company's 2009-2011 annual reports and 2012 Interim Report

Among the Company's core businesses, development and sale of properties is the principal activity. Revenue from the development and sale of properties accounted for 99.16% on average of the revenue of the Company's core businesses for the past three years and the most recent interim period.

The following table shows the revenue generated from the development and sale of properties by region for the past three years:

Unit: RMB'000

Item	2011	%	2010	%	2009	%
Pearl River Delta Region	25,283,459.7	35.79	16,455,703.9	32.89	16,434,870.7	34.01
Yangtze River Delta Region	20,613,429.9	29.18	19,188,519.9	38.35	15,123,397.2	31.30
Bohim-rim Region	16,956,602.6	24.00	10,272,497.8	20.53	12,025,187.8	24.89
Other regions	7,793,363.2	11.03	4,114,230.2	8.22	4,732,772.9	9.80
<b>Total</b>	<b>70,646,855.4</b>	<b>100</b>	<b>50,030,951.7</b>	<b>100</b>	<b>48,316,228.6</b>	<b>100</b>

Source: The Company's 2009-2011 annual reports

## VII. Major accounting data and financial indicators

The Company's major accounting data and financial indicators for the past three years and the first three quarters of 2012 (from consolidated statements) are as follows:

Unit: RMB'000

Item	As at 30-9-2012 / 2012 First Three Quarters	As at 31-12-2011 / 2011 full year	As at 31-12-2010 / 2010 full year	As at 31-12-2009 / 2009 full year
Total assets	347,774,599.9	296,208,440.0	215,637,551.7	137,608,554.8
Equity attributable to equity shareholders of the Company	56,321,762.9	52,967,795.0	44,232,676.8	37,375,888.1
Total operating revenue	46,128,221.6	71,782,749.8	50,713,851.4	48,881,013.1
Total profit	8,165,983.5	15,805,882.4	11,940,752.6	8,617,427.8
Profit attributable to equity shareholders of the Company	5,079,887.1	9,624,875.3	7,283,127.0	5,329,737.7

Source: The Company's 2009-2011 annual reports and 2012 Third Quarterly Report.

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## Chapter 2 Proposal Overview

### I. Basic information about this Proposal

The Company intends to apply for conversion of location of listing and trading of its 1,314,955,468 issued domestically listed foreign shares (B shares) into overseas listed foreign shares (H shares) for listing and trading on the main board of SEHK by way of introduction. There will be no new issue of shares under this Proposal.

In order to fully protect the legitimate rights and interests of the shareholders and to fulfill the purpose of converting the listing location of the Company's domestically listed foreign shares for listing and trading on the SEHK by way of introduction, the Company will arrange third parties to offer cash option to all B shareholders. The B shareholders can choose to file for cash option execution to transfer their China Vanke B shares in part or full to the offerers of the cash option, within the period to be specified in relevant announcements, or may choose to retain their shareholding until the shares become listed on SEHK, in which case, those shares will be converted from B shares to H shares..

During the filing period to be specified in relevant announcements regarding the execution of the cash option, the B shareholders who intend to exercise the cash option may file for cash option execution in accordance with the stipulated manners and procedures. Shares trading on SEHK must have sufficient liquidity as the Listing Rules of SEHK require an open market for shares seeking a listing. Should an excessively high percentage of cash options being exercised resulting in an extremely low liquidity and insufficient public float, the Company may not be able to meet the listing requirements of the SEHK. According to the Listing Rules of SEHK, a certain proportion of a listed company's issued share capital should be held by the public. At present, the amount of the Company's B shares accounts for 11.96% of the Company's total share capital. The Company plans to apply to SEHK for a waiver allowing for a minimum public float of not less than 8%. China Resources (Holdings) Co., Ltd. and (or) its subsidiaries and Government of Singapore Investment Corporation Pte. Ltd., being the offerers of the cash option under this Proposal, respectively hold more than 10% of the shares in the Company or its subsidiaries, thus shall be deemed as connected parties under the Listing Rules. Shares obtained through the cash options offered by the two aforementioned entities,

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therefore, shall not be taken into account in the calculation of the public float. As such, even with a waiver from SEHK allowing the Company to have a minimum public float of not less than 8%, China Resources (Holdings) Co., Ltd. and (or) its subsidiaries and Government of Singapore Investment Corporation Pte. Ltd. together can only acquire an amount of B shares not exceeding 3.96% of the Company's total share capital, equivalent to approximately one-third of the total number of B shares. Due to the aforementioned factors, in the event that the number of shares filing for cash option execution exceeds one-third of the total numbers of B shares, that is more than 438,318,489 shares have been filed for cash option execution, this Proposal will not be implemented, and China Vanke B shares shall continue to be traded on the SZSE B share market.

If the above-mentioned situation does not occur upon expiry of the filing period, settlement of the cash options shall be effected, with consideration for B shares settled and the respective shares transferred. Those B shares effectively filed for cash option execution within the filing period shall be entitled to a cash consideration to be paid at a price stipulated in the Proposal by the offerers of the cash option. The consideration of the cash option has been determined at HK\$13.13 per share, representing a 5% premium to the closing price of the Company's B shares on the day immediately preceding the suspension of trading (25 December 2012) of HK\$12.50 per share.

Detailed arrangements of the cash option proposal for China Vanke B shareholders (including but not limited to the period for filing for cash option execution, filing for cash option execution and settlement of cash option) will be disclosed in due course, in accordance with applicable legislations and regulations.

For the B shares held by all the B shareholders after the implementation of cash option proposal, the Board of the Company's authorized nominal holder will open an H share account on behalf of all B shareholders in due course, at qualified Hong Kong securities firms designated by the Board of the Company (for agency trade, registration and settlement for investors only), and will act as depository agent of the Company's H shares and to handle relevant matters (details of operation and rights and obligation of the involved parties will be announced separately).

Qualified overseas investors may transfer their H shares to existing H share accounts, or apply to open independent H share accounts at designated qualified Hong Kong securities firms or other qualified overseas securities companies and transfer their H



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shares to the newly opened H share accounts after the registration of the Company's H shares.

In the event of successful completion of implementation of this Proposal, and after the listing and trading of the Company's shares on the main board of SEHK, H shareholders can choose to conduct their transactions via the trading systems of domestic securities firms or overseas securities firms, in accordance with their individual situation and own will, but should be in compliance with relevant rules and regulations. Overseas investors conducting transactions outside Mainland China could, in accordance with the general H share trading regulations, buy or sell the Company's H shares. The trading manner of domestic investors and overseas investors conducting transactions within Mainland China in the future will basically remain unchanged, except for the change in stock code (the stock code after the aforementioned change will be announced separately). However, subject to restriction of relevant rules or regulations, the aforesaid investors only have the rights to hold or sell the Company's H shares. The proceeds from their disposal of the Company's H shares shall be promptly remitted into Mainland China. Should the relevant laws and regulations in the future allow domestic residents to purchase overseas shares, the above-mentioned domestic investors and overseas investors conducting transactions within Mainland China may, through qualified securities firms, buy or sell the Company's H shares.

Before domestic residents become eligible for subscription of overseas securities, or before the disposal of all of the H shares traded through the trading systems of domestic securities companies, the Company will cautiously consider the fact that certain H share accounts' trading rights are subject to restriction, and will take into full account the fairness in participation by all types of shareholders, in the handling of certain relevant significant events such as rights issue.

The Company will prepare the Articles of Association of China Vanke Co., Ltd. (A+H) in accordance with Mandatory Provisions for Articles of Association of Companies Listed Overseas, Letter of Comment on Supplementary Amendment to Articles of Association of Companies Listed in Hong Kong ("ZJHH [1995] No.1") and Opinions on Promotion of Compliance in Operation and Intensified Reform of Companies Listed Overseas, and with reference to relevant requirements of Guidelines for the Articles of Association of Listed Companies 2006 Amendment and Listing Rules of SZSE. The draft of document will be

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submitted for approval at the shareholders' meeting of the Company. The Articles of Association (A+H) will become effective on the date of listing of the Company's H shares, following the approval by the shareholders' meeting and relevant supervisory departments. The Company, upon the listing of its H shares, will convene meetings for different categories of shareholders in accordance with the criteria specified in the Articles of Association (A+H). The Company's existing articles of association shall continue to be in force prior to the listing of its H shares.

## **II. Rationale behind the promotion of this Proposal**

In recent years, the Company has been reviewing its internationalization strategy for the future. Hong Kong and other foreign capital markets can provide the Company with a broader business platform. The implementation of this Proposal is conducive to enhancing the Company's visibility, strengthening the Company's development in international business, enabling the Company to leverage on overseas resources and market incentives to reinforce the Company's core competitiveness.

## **III. Shareholder's interest protection mechanism**

### **(1) Voting at the shareholders' meeting**

#### **1. Approval requirements**

According to Company Law and the Articles of Association, this Proposal constitutes an event of "having a significant impact on the company, and such other matters that require to be approved by a special resolution". Therefore, the Company will convene an extraordinary general meeting to consider the related matters of this Proposal. It also requires shareholders attending the meeting to approve by way of voting in the form of special resolution.

As the Proposal involves the change of B shareholders' right, in order to protect the rights of B shareholders, the special resolution requires the approval of more than two-thirds of the voting rights of B shareholders attending the meeting.

The Company will separately calculate the voting results of all shareholders and those from B shareholders. The implementation of this Proposal is subject to, among other things,

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approval by more than two-thirds of the voting rights of all shareholders and B shareholders attending the meeting respectively.

2. On-site voting and online voting combined

The convening of the shareholders' meeting will combine the formats of on-site voting and online voting. The Company will utilize SZSE online voting system to offer shareholders an online voting platform. The shareholders may exercise voting rights through the system within the online voting period. Details of the online voting procedure will be explained in the notice of shareholders' meeting.

3. Independent directors' proxy solicitation

In order to enhance the participation of minority shareholders in voting, the shareholders' meeting will adopt independent directors' proxy solicitation.

**(2) Cash option for B shareholders**

In order to fully protect the legitimate rights and interests of the Company's B shareholders and to fulfill the purpose of converting the listing location of the Company's domestically listed foreign shares for listing and trading on the SEHK by way of introduction, the Company has decided to arrange third parties to offer cash options for B shareholders. B shareholders registered on the date of record for cash option can file for execution of cash option in part or full, with exception to the following circumstances:

- (1) restricted shares held by the directors, supervisors and senior management (if any);
- (2) shares held by legitimate holders who have undertaken to the Company to give up the cash option (if any).

1. Third parties offering the cash option and their background

The offerers of the cash option for this Proposal include, but not limited to, China Resources (Holdings) Co., Ltd. and (or) its subsidiaries, Government of Singapore Investment Corporation Pte. Ltd. ("GIC"), and Hillhouse Capital Management Ltd. ("Hillhouse") and (or) funds under its management. In the event that SEHK's approval of

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the public float waiver application does not meet the Company's expectation, and when it is expected that the execution of cash option in the future may lead to the Company's failure to comply with SEHK's public float requirement, the Board of the Company shall arrange other third parties to offer cash option in accordance with the actual situation, and make relevant announcements in due course.

China Resources (Holdings) Co., Limited is a diversified holding company registered and operated in Hong Kong. Its business registration number is 126089. China Resources (Holdings) Co., Limited is a wholly-owned subsidiary of China Resources National Corporation. China Resources National Corporation is the controlling shareholder of China Resources Co., Ltd., the Company's largest shareholder. China Resources (Holdings) Co., Limited is a State-owned enterprise under the direct supervision of the State-owned Assets Supervision and Administration Commission of the State Council.

Incorporated in 1981, GIC is an international investment management entity managing Singapore's foreign reserves. GIC invests globally in equities, fixed income, foreign exchange, commodities and currency markets, alternative investment, real estate and private equity. GIC currently manages assets of over US\$100 billion. It is one of the largest fund management entities in the world.

Hillhouse is an asset management company registered in Cayman Islands. Its business registration number is WK-147297. It mainly manages capital from world-renowned institutional investor. Hillhouse pays high regard to fundamental research, and emphasises long term value investment. The company currently manages assets of over US\$7 billion.

## 2. Implementation method of the cash option

After this Proposal has been reviewed at China Vanke shareholders' meeting (including B shareholders) and approved by more than two-thirds of the voting rights of all shareholders and B shareholders attending the shareholders' meeting respectively, and ratified and approved in principle by CSRC, SEHK and other relevant governmental departments and agencies (if necessary), the Company will issue an announcement to publicise the details on the period for filing for cash option execution, filing for cash option execution and settlement of cash option etc.

B shareholders who intend to file for cash option execution shall have the right to file for the execution of such option within the filing period in accordance with the stipulated manners and procedures. In the event that the number of shares filing for cash option

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execution during the filing period exceeds one-third of the total number of B shares, that is more than 438,318,489 shares have been filed for cash option execution, this Proposal will not be implemented, and China Vanke B shares shall continue to be traded on the SZSE B share market.

Upon expiry of the filing period, for those B shares effectively filed for cash option execution within the filing period, the offerers of the cash option will pay them a cash consideration at a price stipulated in the Proposal.

### 3. Exercise price

B shareholders of the Company who are going to file for cash option execution are entitled to a cash consideration from the offerers of the cash option, for each B share effectively filed for execution of cash option. The consideration of the cash option has been determined at HK\$13.13 per share, representing a 5% premium to the closing price of the Company's B shares on the day immediately preceding the suspension of trading (25 December 2012) of HK\$12.50 per share. In case of any exclusion of rights or dividend to the Company's shares between the date of announcement of the Board's discussion on the resolutions regarding this Proposal and the execution period of the cash option, the exercise price of such cash option shall be adjusted accordingly.

### 4. Currency of the consideration of cash option

The currency of the consideration of the cash option being offered by the third parties under this Proposal shall be denominated in Hong Kong dollar (HK\$).

### 5. Disclosure of relevant information

Detailed arrangement of the proposal for the cash option (including but not limited to the period for filing for cash option execution, filing for cash option execution and settlement of cash option) will be disclosed in due course, in accordance with applicable legislations and regulations and the provisions of SZSE.

### 6. Conditions under which the cash option will not be implemented

In the event that the number of shares filing for cash option execution during the filing period exceed one-third of the total number of B shares, leading to failure in implementation of this Proposal, such cash option shall not be exercised, and China Vanke

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B shares shall continue to be traded on the SZSE B share market.

### **(3) Treatment of inactive accounts and subsequent events**

For B shares held by inactive accounts and have not been filed for cash option execution or have not been effectively filed for cash option execution, the listing location of such B shares will be changed, and will be listed and traded on the main board of SEHK by way of introduction after completion of the approval process and implementation of this Proposal.

### **(4) Information disclosure schedule**

In accordance with the requirements of the relevant laws and regulations, the Company will disclose information regarding the progress of this Proposal on a timely basis. Significant events of the progress of this Proposal intended to be disclosed include but not limited to the followings:

- 1) Resolution regarding the approval of the Proposal at a shareholders' meeting
- 2) Confirmation of receipt of the Company's overseas listing application from CSRC
- 3) Confirmation of receipt of Form A1 - Listing Application Form from SEHK
- 4) Domestic operation manual for change of listing location of B shares and listing & trading of H shares
- 5) Ratification for overseas listing by CSCRC
- 6) Approval, in principle, by SEHK after the listing hearing
- 7) Notification regarding suspension of trading of China Vanke B shares and expected time for the execution of cash option
- 8) Notification regarding the execution of the cash option
- 9) Reminder Notices regarding execution of cash option
- 10) Notification regarding the results of the execution of cash option
- 11) Delisting of the stock code and abbreviation of the Company's B share from the SZSE
- 12) Official approval from SE
- 13) Listing of the Company's H shares on SEHK

All the announcements regarding the progress of the Proposal will be published in Chinese and English respectively on "China Securities Journal", "Securities Times", "Shanghai

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Securities News”, “Securities Daily”, <http://www.cninfo.com.cn> and <http://www.irasia.com> simultaneously.

#### **IV. Decision-making process of this Proposal**

##### **(I) Authorization and approval obtained**

The Company’s Board of Directors considered and approved the Proposal and related matters through voting by correspondence.

##### **(II) Pending authorization and approval of this Proposal**

1. This Proposal will be examined at an extraordinary general meeting, and requires approval by more than two-thirds of the voting rights of all shareholders and B shareholders attending the shareholders’ meeting respectively;
2. The Company’s application for its B shares to be listed and traded on the main board of SEHK by way of introduction requires submission of relevant documents to, and ratification of such documents by, CSRC;
3. The Company’s application for its B shares to be listed and traded on the main board of SEHK by way of introduction requires submission of relevant documents to SEHK and securing approval from SEHK;
4. Examination and approval by other government departments and organizations (if required)

#### **V. Change in the Company’s share capital structure before and after the implementation of this Proposal**

With reference to the current share capital structure, following is a comparison of the Company’s share capital structure before and after the implementation of the Proposal:

<b>Before implementation of the Proposal</b>			<b>After implementation of the Proposal</b>		
	Number of shares (share)	As % to total share capital		Number of shares (shares)	As % to total share capital

<b>A share</b>	<b>9,680,597,650</b>	<b>88.04%</b>	<b>A share</b>	<b>9,680,597,650</b>	<b>88.04%</b>
Including: China Resources Co., Limited	1,619,094,766	14.72%	Including China Resources Co., Limited	1,619,094,766	14.72%
<b>B share</b>	<b>1,314,955,468</b>	<b>11.96%</b>	<b>H share</b>	<b>1,314,955,468</b>	<b>11.96%</b>
Including: Existing B shareholders	1,314,955,468	11.96%	Including: Offerers of cash option and other H shareholders	1,314,955,468	11.96%
<b>Total</b>	<b>10,995,553,118</b>	<b>100%</b>	<b>Total</b>	<b>10,995,553,118</b>	<b>100%</b>



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## **Chapter 3 Compliance Analysis of the Proposal**

### **(I) This Proposal complied with Regulations of the State Council on Domestically Listed Foreign Shares of Joint Stock Limited Companies (State Council Decree No. 189)**

According to Regulations of the State Council on Domestically Listed Foreign Shares of Joint Stock Limited Companies (State Council Decree No. 189) (promulgated in 1995) Article 24, “with approval from the Securities Commission of the State Council, domestically listed foreign shares and their derivatives can be circulated and transferred in foreign countries. The derivatives mentioned in the previous clause refer to stock warrants and overseas stock depositary receipt.”

In accordance with the State Council Organization Reform Plan promulgated in April 1998, the Securities Commission of the State Council has merged with CSRC. Therefore, after obtaining approval from CSRC, the Company’s domestically listed foreign shares fulfil the requirements to change its listing location for listing and trading on the main board of SEHK.

### **(II) The Company is eligible for application to CSRC for overseas listing and trading**

1. According to the Securities Law, “for application for the listing and trading of shares, a company shall submit the relevant resolution of its shareholders’ general meeting to a stock exchange”;
2. According to CSRC’s Guidelines for Supervising the Application Documents and Examination Procedures for Overseas Stock Issuance and Listing by Joint Stock Limited Companies (CSRC announcement [2012]45), “any joint stock limited company incorporated in accordance with Company Law of the People Republic of China, and

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satisfying the listing requirements of an overseas stock exchange, can apply to CSRC for overseas listing”.

As such, following the approval of the selection of the listing location (including overseas listing) and other matters at a shareholders’ meeting, the Company can apply to the CSRC for overseas listing.

### **(III) The Company is eligible to apply for listing on SEHK by way of introduction**

According to the Rules Governing the Listing of Securities on SEHK, “ listing by way of introduction” is a method for application of listing by issued securities, with no requirement for share offer, as the securities seeking a listing already have a substantial amount in issue with an extensive shareholding. It is, therefore, assumed that there would be adequate free float after listing.

According to the Rules Governing the Listing of Securities on SEHK, the following circumstances are applicable for listing by way of introduction:

- (1) The securities seeking a listing have already been listed on another stock exchange;
- (2) A listed issuer’s securities are distributed in specie to its shareholders or to the shareholders of another listed issuer; or
- (3) Where a holding company is formed and its securities are issued in exchange for those of one or more listed issuers. Any reorganization by way of debt repayment and/or scheme of arrangement or by any other revenue whereby securities are issued by an overseas issuer in exchange for the securities of one or more listed Hong Kong issuers, and the listing of the latter issuer or issuers is withdrawn at the same time as the securities of the overseas issuer are listed, must first be approved by a special resolution of the shareholders of the listed Hong Kong issuer or issuers.

Meanwhile, the Listing Rules of SEHK regarding requirements of listing of securities are as follows:

#### **1. Financial Requirements:**

A new applicant must have a trading record of not less than three financial years and

meet one of the following three financial criteria:

	<b>Profit Test</b>	<b>Market Capitalization/ Revenue Test</b>	<b>Market capitalization / revenue / Cash flow test</b>
Profit Attributable to Shareholders	At least HK\$50 million in the last 3 financial years (with profits of at least HK\$20 million reported in the most recent year, and aggregate profits of at least HK\$30 million for the two years preceding the most recent year)		
Market Capitalization	At least HK\$200 million at the time of listing	At least HK\$4 billion at the time of listing	At least HK\$2 billion at the time of listing
Revenue		At least HK\$500 million for the most recent audited financial year	At least HK\$500 million for the most recent audited financial year
Cash flow			Positive cash flow from operating activities of at least HK\$100 million in aggregate for the three preceding financial years

## **2. Suitability for Listing:**

Both the issuer and its business must, in the opinion of SEHK, be suitable for listing.

An issuer or its group (other than an investment company) whose assets consist wholly or substantially of cash or short dated securities will not normally be regarded as suitable for listing, except where the issuer or group is solely or mainly engaged in the securities brokerage business.

## **3. Operating History and Management:**

A new applicant must have a trading record period of at least 3 financial years under substantially the same management and ownership. In practice, this means management continuity for at least the 3 preceding financial years; and ownership continuity and control for at least the most recent audited financial year.

Exception: Under the market capitalization/revenue test, SEHK may accept a shorter

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trading record period under substantially the same management if the new applicant can demonstrate that its directors and management have sufficient and satisfactory experience of at least three years in the line of business and industry of the new applicant and management continuity for the most recent audited financial year.

#### **4. Minimum market capitalization:**

The expected market capitalization of a new application at the time of listing must be at least HK\$200 million.

#### **5. Market capitalization of public float**

The expected market capitalization at the time of listing of the securities of a new applicant which are held by the public must be at least HK\$50 million.

#### **6. Public float**

At least 25% of the issuer's total issued share capital must at all times be held by the public.

Where the issuer has one class of securities or more, the total amount of securities of the issuer held by the public at the time of listing must account for at least 25% of the issuer's total issued share capital. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital, having an expected market capitalization at the time of listing of not less than HK\$50 million. SEHK may, at its discretion, accept a lower percentage of public float of between 15% and 25% at the time of listing, provided that the issuer's expected market capitalization at the time of listing amounts to over HK\$10 billion.

The total number of the Company's B shares accounts for 11.96% of the Company's total share capital. The Company will apply to SEHK for a waiver for the public float of the class of securities seeking a listing.

#### **7. Spread of shareholders**

The securities in the hands of the public should be held among at least 300 holders. Not more than 50% of the securities in public hands at the time of listing is beneficially owned by the three largest public shareholders.

For further details, please refer to the Listing Rules of SEHK. The website:

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<http://www.hkex.com.hk>

The Company will implement this Proposal under the circumstance that satisfies the Listing Rules of SEHK and without violation of the relevant laws.

**(IV) The Company is eligible to fine-tune the transaction operation for original B shareholders after the B shares being converted into H shares in accordance with relevant technical guidelines**

In accordance with the provisions of relevant documents including “Technical guidelines for domestic securities companies regarding conversion of Shenzhen B shares’ listing location for listing and trading on SEHK by way of introduction” and “Regulations on consistence in information disclosure for domestic securities companies regarding conversion of Shenzhen B shares’ listing location for listing and trading on SEHK by way of introduction”, the Company can further stipulate and fine-tune the relevant terms for transaction operation for original B shareholders after the conversion of listing location of its B shares.

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## **Chapter 4 Risk Factors of this Proposal**

In assessing this Proposal, investors should carefully consider the following risk factors in addition to other contents in this Proposal and other relevant disclosed documents.

### **I. Risk of failure to obtain approvals**

The Board of the Company reviewed and approved this Proposal and relevant matters through voting by correspondence. However, this Proposal shall also be subject to the following authorizations and approvals:

1. This proposal shall be reviewed at an extraordinary general meeting, and shall obtain the consent of more than two-thirds of the voting rights of all shareholders and B shareholders attending the shareholders' meeting respectively;
2. The Company's application for listing and trading of its B shares on the main board of SEHK by way of introduction requires the Company's submission of documents related to the application to CSRC for ratification;
3. The Company's application for listing and trading of its B shares on the main board of SEHK by way of introduction requires the Company's submission of relevant documents to the SEHK for approval;
4. Examination or approval by other governmental departments and agencies (if necessary).

This Proposal will be terminated should it fail to obtain any one of the above-mentioned ratifications or approvals.

### **II. Risk related to the cash option and its related risks of the termination of the Proposal**

Under this Proposal, the cash option will be offered by third parties to all B shareholders. According to the Listing Rules of SEHK, a certain proportion of a listed company's issued share capital should be held by the public. At present, the amount of the Company's B shares accounts for 11.96% of the Company's total share capital. The Company plans to apply to SEHK for a waiver allowing for a minimum public float of not less than 8%. China Resources (Holdings) Co., Ltd. and (or) its subsidiaries and

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Government of Singapore Investment Corporation Pte. Ltd., being the offerers of the cash option under this Proposal, respectively hold more than 10% of the shares in the Company or its subsidiaries, thus shall be deemed as connected parties under the Listing Rules. Shares obtained through the cash options offered by the two aforementioned entities, therefore, shall not be taken into account in the calculation of the public float. As such, even with a waiver from SEHK allowing the Company to have a minimum public float of not less than 8%, China Resources (Holdings) Co., Ltd. and (or) its subsidiaries and Government of Singapore Investment Corporation Pte. Ltd. together can only acquire an amount of B shares not exceeding 3.96% of the Company's total share capital, equivalent to approximately one-third of the total number of B shares. Due to the aforementioned factors, in the event that the number of shares filing for cash option execution during the filing period exceeds one-third of the total number of B shares, that is more than 438,318,489 shares have been filed for cash option execution, this Proposal will not be implemented, the Company's B shareholders shall not exercise the cash options and China Vanke B shares shall continue to be traded on the SZSE B share market.

B shareholders of the Company shall file for cash option execution within the filing period. Provided that the number of shares effectively filed for cash option execution does not exceed 438,318,489 shares, those B shares that have been effectively filed for cash option execution shall be entitled to a cash consideration to be paid at a price stipulated in the Proposal by the offerers of the cash option. Cash options that have not been filed for during the specified periods shall become invalid. Details of the share registration date of the cash option, period for filing for cash option, filing for cash option execution and settlement of the cash option will be announced separately. If investors have not filed for cash option execution or the filing has become invalid, the B shares held by such investors will change its listing location and become listed and traded on the main board of SEHK by way of introduction upon the approval and implementation of this Proposal.

### **III. Risk of different investment environment**

B shares market and H shares market have different trading features (such as trading volume and liquidity) and different levels of participation between retail and institutional investors. Due to the existence of such differences, the trading prices of the Company's B

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shares and future H shares may not necessarily be the same. The Company cannot guarantee that the price of future H shares will be higher than or equal to the price of B shares prior to the change of listing location. In addition, the price movements of the Company's A and H shares may have interrelated effect to each other.

#### **IV. Risk of uncontrollable time of implementation**

The implementation of this Proposal shall be subject to the securing of various authorizations and approvals mentioned in the above-mentioned "Risk of failure to obtain approvals"; there are uncertainties in the time required for the performance of such legal proceedings.

#### **V. Risk of inconvenience in trading**

After the implementation of this Proposal, for domestic investors and overseas investors conducting transactions within Mainland China, their operating manners, compared with those for B shares traded through the trading systems of domestic securities companies, basically remain unchanged; however, the change of stock code may give rise to risk of inconvenience in trading.

#### **VI. Risk of trading system**

After the successful listing and trading of the Company's shares on the main board of SEHK, the Company's original B shareholders may conduct transactions of H shares through the trading systems of domestic securities companies or the trading systems of overseas securities companies in accordance with their respective situation and own will, but should be in compliance with applicable legislations, regulations and trading rules. There may be differences between the H share trading systems to be applied and the previous B share trading systems, and the new trading systems may involve various aspects at home and abroad. Investors may, face risks of a trading system different from the previous one.

#### **VII. Risk of increase in trading expenses**

After the implementation of this Proposal, domestic investors and overseas investors conducting transactions within Mainland China shall pay corresponding commissions to such domestic securities companies, and bear the normal trading expenses with respect to H shares. The investors shall also be liable for certain special trading expenses of the H shares



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market, including but not limited to custodian fees and transfer fees, fees for collecting dividend and bonus shares.

For domestic investors and overseas investors conducting transactions within Mainland China, the designated qualified Hong Kong securities firm(s) will collect and remit the proceeds from their share disposals in Hong Kong to Mainland China. Such proceeds shall then be transferred to the settlement reserve account of the domestic securities companies by CSDCC. The fund remittance involves certain cross-border conversion cost. It may lead to relatively high cross-border conversion cost for each share on that day, particularly when the trading volume is low on the day of remittance. Such cost will ultimately be borne by investors trading through the trading systems of domestic securities firms, leading to a higher transaction cost.

### **VIII. Risk of different trading hours**

After the implementation of this Proposal, for domestic investors and overseas investors conducting transactions within Mainland China, their trading hours are different from that of overseas investors conducting transactions outside Mainland China:

1. The trading hours for H shares are 5.5 hours per day, from 9:30 am to 12:00 pm noon and 1:00 pm to 4:00 pm; the trading hours for domestic securities are 4 hours per day, from 9:30 am to 11:30 am and 1:00 pm to 3:00 pm;
2. The public holidays are different between Mainland China and Hong Kong, and thus there are varying trading days in the two markets.

The above-mentioned differences may lead to a certain extent of unequal situations between domestic investors and overseas investors conducting transactions within Mainland China, and overseas investors conducting transactions outside Mainland China. For instance, during non-trading hours for investors who conduct transactions within Mainland China, overseas investors who conduct transactions outside Mainland China are still able to conduct transactions; or during a public holiday in Mainland China, the settlement of transactions and recovery of proceeds for investors who conduct transactions within Mainland China may lag behind those for overseas investors who conduct transactions outside Mainland China.

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**IX. Restriction on trading rights**

According to the requirements of the relevant regulations of the PRC, domestic residents, at present, are not allowed to purchase overseas securities directly. Thus, after the completion of the implementation of this Proposal, domestic investors only have the rights to hold or sell the Company's H shares. The proceeds from the aforementioned investors' disposal of the Company's H shares shall be promptly remitted into Mainland China. Should the relevant laws and regulations in the future allow domestic residents to purchase overseas shares, domestic investors may, through qualified securities firms, buy or sell the Company's H shares. Overseas investors who opt for transacting H shares through the trading systems of domestic securities companies are subject to the same restrictions as domestic investors.

Overseas investors conducting transactions outside Mainland China are not subject to the aforesaid restriction and could, in accordance with the general H share trading regulations, buy or sell the Company's H shares.

**X. Risk of inactive accounts**

For B shares held by inactive accounts and have not been filed for cash option execution or have not been effectively filed for cash option execution, the listing location of such B shares will be changed, and will be listed and traded on the main board of SEHK by way of introduction after completion of the approval process and implementation of this Proposal.

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## **Chapter 5 Events Requiring Special Attention**

The Company has applied for the listing and trading of its B shares, as original shares, on the main board of SEHK by way of introduction and this will involve the change in listing location of shares being held by the original B shareholders. Investors can conduct transaction via trading systems of domestic securities companies or trading systems of overseas securities companies based on their situation and their own will in compliance with legislation, regulations, and trading rules. Due to existence of the following differences, investors are advised to pay attention to the following issues:-

### **I. Restriction on trading rights**

According to the requirements of the relevant regulations of the PRC, domestic residents, at present, are not allowed to purchase overseas securities directly. Thus, after the completion of the implementation of this Proposal, domestic investors only have the rights to hold or sell the Company's H shares. The proceeds from the aforementioned investors' disposal of the Company's H shares shall be promptly remitted into Mainland China. Should the relevant laws and regulations in the future allow domestic residents to purchase overseas shares, domestic investors may, through qualified securities firms, buy or sell the Company's H shares. Overseas investors who opt for transacting H shares through the trading systems of domestic securities companies are subject to the same restrictions as domestic investors.

Overseas investors conducting transactions outside Mainland China are not subject to the aforesaid restriction and could, in accordance with the general H share trading regulations, buy or sell the Company's H shares.

### **II. Differences in trading hours**

After the implementation of this Proposal, for domestic investors and overseas investors conducting transactions within Mainland China, their trading hours are different from that of overseas investors conducting transactions outside Mainland China:

1. The trading hours for H shares are 5.5 hours per day, from 9:30 am to 12:00 pm noon and 1:00 pm to 4:00 pm; the trading hours for domestic securities are 4 hours per day, from 9:30 am to 11:30 am and 1:00 pm to 3:00 pm;

2. The public holidays are different between Mainland China and Hong Kong, and

thus there are varying trading days in the two markets.

The above-mentioned differences may lead to a certain extent of unequal situations between domestic investors and overseas investors conducting transactions within Mainland China, and overseas investors conducting transactions outside Mainland China. For instance, during non-trading hours for investors who conduct transactions within Mainland China, overseas investors who conduct transactions outside Mainland China are still able to conduct transactions; or during a public holiday in Mainland China, the settlement of transactions and recovery of proceeds for investors who conduct transactions within Mainland China may lag behind those for overseas investors who conduct transactions outside Mainland China.

### III. Difference in transaction costs

Due to difference between the markets of Hong Kong and Shenzhen, there are varying securities transaction costs for investors trading in the two markets. A comparison is set out below:

#### (1) General transaction costs

Item	Current fees for B Shares on SZSE	Current fees for H Shares on SEHK
Commission	No more than 0.3% of the transaction amount, and no less than supervision charges and brokerage fee; a minimum fee of HK\$5	Negotiable with individual brokerage firm
Brokerage fee ("Trading fee" in Hong Kong)	0.301%	0.005%
Supervision charges ("Transaction Levy" in Hong Kong)	0.004%	0.003%
Stamp duty	Collect 1% of transaction amount from the transferor	Collect 0.1% of transaction amount from both transferor and transferee
Settlement fee	0.05%	0.002% of gross value of each transaction. A minimum of HK\$2 and a maximum of HK\$100 from each party of the transaction

In the future when placing a transaction order, domestic investors and overseas investors conducting transactions within Mainland China shall also pay commissions to domestic securities companies but shall not be subject to brokerage fee, supervision charges, stamp duty and settlement fee. In other words, these two types of investors shall bear the commission to domestic securities companies, as well as general transaction costs of the H share market. Overseas investors conducting transactions outside Mainland China shall bear only general transaction costs of the H share market and any special fees that may arise.

**(2) Charges only applicable to H shares**

Item	B Shares of SZSE	H Shares of SEHK
Registration and transfer fees	Nil-	HK1.5 per lot
Dividends Collection fee	Nil-	0.12% of total value of cash dividends
Bonus share collection fee	Nil-	HK\$2 per lot. A minimum of HK\$2 and a maximum of HK\$5,000

HKSCC would charge registration and transfer fees of HK\$1.5 per lot of securities from brokerage firm on the book close date for dividend distribution declared by a listed company. The charge is calculated according to the net increase in the number of relevant shares held by brokerage firms between this and the previous book close dates. Some brokerage firms would only charge this fee from customers who increase their holding of relevant securities during the aforementioned period; others would charge the fees from all customers holding the relevant stock and may also collect other additional charges. These charges are only applicable to the first registration of right to dividend acquired from the secondary market.

Domestic investors and overseas investors conducting transactions within Mainland China would only sell the Company's H shares duly held from the conversion of the listing location of the Company's B shares. As such, the charges are not applicable to such investors. Overseas investors conducting transactions outside Mainland China may have to bear these charges.

**(3) Costs of odd lots caused by difference in trading units**

B shares are being purchased in board lot of 100 shares. There is no minimum restriction in the number of B shares for disposal. Shares of less than one board lot are

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considered to be an odd lot. An odd lot could be sold by trading systems directly and should be recorded as one transaction.

The minimum trading unit of shares in Hong Kong is one board lot, and the board lot sizes vary from shares to shares. Each securities transaction amount in the SEHK is usually not less than HK\$2,000. Each listed company could determine the numbers of shares in one board lot in accordance to its situation, and any number of shares short of one board lot is an odd lot. Should investors want to sell shares in odd lots, they could sell them to organizations specializing in collecting odd lots, at a 10% to 15% discount to the market price. Such price differences constitute a part of the transaction costs.

The Company will apply to SE to maintain the size of each board lot of its H shares at 100 shares. Should the application be approved, the number of odd lot shares of the Company's H shares in the future shall not exceed that of the odd lot shares of the Company's existing B shares. For domestic investors and overseas investors conducting transactions within Mainland China who place order to sell the Company's H shares duly held from the conversion of listing location of the Company's B shares, the designated qualified Hong Kong securities company undertakes to complete the transfer of the odd lot at a 10% discount to the average transaction price of board lot for order of over one board lot. If the number of shares in an order is less than one board lot, the designated qualified Hong Kong securities company undertakes to complete the transfer of odd lot at a 10% discount to the market price at the time of placement of order.

#### **(4) Overseas remittance charges**

For domestic investors and overseas investors conducting transactions within Mainland China, the designated qualified Hong Kong securities firm(s) will collect and remit the proceeds from share disposal in Hong Kong to Mainland China. Such proceeds shall then be transferred to the settlement reserve account of the domestic securities companies by CSDCC. The fund remittance involves certain cross-border conversion cost. It may lead to relatively high cross-border conversion cost for each share on that day, particularly when the trading volume is low on the day of remittance. Such cost will ultimately be borne by investors trading through the trading systems of domestic securities firms, leading to a higher transaction cost.

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#### **IV. Differences in taxes to be borne by investors**

Investors in the Company's B shares are mainly domestic individual investors, foreign individual investors and foreign institutional investors. The respective investors involving in the trading of the Company's B shares and H shares are subject to income tax on bonus shares and dividends gained from shares in their possession, income tax on transfer of shares and stamp duty on share transaction. Details are follows:

##### **Income tax on dividends and bonus shares**

###### **(1) Domestic individuals:**

According to Notice from Ministry of Finance and State Administration of Taxation Regarding Policies of Implementation of Differential Individual Income Tax on Bonus Shares and Dividends of Listed Companies (No.CS[2012]85), with effect from 1 January 2013, the bonus share and dividend derived from listed securities acquired from public offer or secondary market by individual investors shall be subject to individual income tax. However, the tax payable amount shall be adjusted in accordance with the duration of the individual investors' possession of such shares..

The subjects of the above-mentioned No.CS[2012]85 document are normally interpreted as domestically listed A-share and B-share companies. For bonus shares and dividends distributed to the H shareholders, as a result of the arrangement of this Proposal, it is currently not clearly defined whether these are subject to the aforementioned differential individual income tax policy. If the above-mentioned document is not applicable, the full amount of bonus shares and dividends from H shares held by such investors in the future, would become taxable.

###### **(2) Foreign individuals:**

For foreign individuals holding the Company's B shares prior to this Proposal, due to the official abolishment of Notice from State Administration of Taxation on Issues Regarding Income Tax on Gain From Share Transfer and Dividend earned by Enterprises with Foreign Investment, Foreign Enterprises and Foreign Individual GSF[1993]045, the Company, in 2011 and 2012, withheld an amount equivalent to 10% of foreign individual B shareholder's entitled dividend distribution for the years 2010 and 2011 respectively, as withholding tax, in accordance with the requirement of the Notice from Ministry of Finance and State Administration of Taxation Regarding Policy In Relation to Individual Income

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Tax on Bonus Shares and Dividends (No.CS[2005]102), after consultation with the relevant tax authorities. Following the implementation of Notice from Ministry of Finance and State Administration of Taxation Regarding Policies of Implementation of Differential Individual Income Tax on Bonus Shares and Dividends of Listed Companies (No.CS[2012]85), the Company will comply with the relevant requirements.

For foreign individuals holding the Company's H shares after this Proposal, there is explicit regulations under Notice on Issues Regarding Levy of Individual Income Tax after the abolishment of GSF[1993]045 document (GSH[2011]348) that bonus shares and dividends distributed to foreign individuals holding the Company's H shares, in general, are subject to an income tax at a rate of 10% to be withheld by the Company. However, for some of the foreign individual investors of the Company, the Company may withhold an amount of more than 10% of the entitled distribution, in accordance with the effective tax rate of the investors' country or territories of residence, or at a rate of 20% for withholding the payment.

### (3) Corporate Income tax

Pursuant to the existing regulations, domestic organizations are not eligible to hold the Company's B shares.

For foreign institutional investors holding the Company's B shares, there will be no change in taxation policy for dividend and bonus share distribution from the Company's H shares after this Proposal. Details are as follows:

According to provisions of the Notice from the State Administration of Taxation on Certain Issues Regarding Chinese Resident Enterprises Withholding and Payment Of Corporate Income Tax When Distributing Dividend to Foreign H Share Non-resident Enterprise Shareholders (No.GSH[2008]897) and Reply from the State Administration of Taxation on Matters of imposing Corporate Income Tax On Non-resident Enterprise Receiving Dividend from B Shares (No.GSH[2009]394), Chinese resident enterprises with public offer and listing of shares in domestic or overseas markets (A share, B share and overseas shares) should pay a withholding corporate income tax at a flat rate of 10% when distributing dividend to non-resident enterprise shareholders for the year of 2008 and thereafter. Non-resident enterprise shareholders who would like to enjoy tax benefit under taxation agreement can apply in accordance with relevant provisions of the agreement.



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The withholding and payment of the relevant taxation will be executed by the tax withholding agents designated under relevant legislations.

### **Income tax for share transfer**

#### (1) Domestic individuals

According to Notice from Ministry of Finance and State Administration of Taxation regarding Continued Provisional Waiver for Individual Income Tax on Gain from Individual Share Transfer (No.CSZ[1998]61), the individual income tax on gain from transfer of the Company's B shares held by domestic individuals before this Proposal is being waived temporarily.

For the H shares held by above-mentioned domestic investors, as a result of the implementation of this Proposal, there is no explicit administrative guidance on whether the above-mentioned No.CSZ[1998]61 document is applicable to their transfer. If the document is not applicable to the Company's H shares, the gain from transfer of the Company's H shares held by domestic investors is subject to individual income tax.

#### (2) Foreign individuals

According to the above-mentioned (No.CSZ[1998]61) document, the individual income tax on gain from transfer of the Company's B shares held by foreign individuals before this Proposal is being waived temporarily.

For foreign investors holding H shares as a result of the implementation of this Proposal; given that the Notice from State Administration of Taxation on Issues Regarding Income Tax on Gain from Share Transfer and Dividend earned by Enterprises with Foreign Investment, Foreign Enterprises and Foreign Individuals (GSF[1993]045), which provided a waiver for income tax on gain from H share transfer by foreign individuals, had been abolished by the GBF[2010]28 document promulgated by the State Council. There is no explicit policy guidance. In the event that such foreign individuals are considered to be taxable residents of Mainland China according to the related regulations, or if their shareholding in the Company exceeds 25% of the Company's total share capital at the time of the transfer, and the above-mentioned CSZ[1998]61 is not applicable to the H shares, such foreign investors may be subject to individual income tax pursuant to Individual

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Income Tax Law.

(3) Foreign organizations

Regarding income tax on share transfer, there is no material difference in income tax for B shares held before this Proposal and H shares held after this Proposal by foreign organizations. In the event that the investors are not eligible to benefits under taxation agreements, the relevant capital gain from the transfer of the Company's H shares held after this Proposal shall be subject to a withholding income tax of 10% in accordance with Corporate Income Tax Law.

**Stamp duty on share transfer**

Pursuant to existing regulations in China, stamp duty on trading of B shares in the Company is 0.1% of the transaction amount payable by vendors of the B shares.

After implementation of this Proposal, the Company's B shares will be converted into H shares which will be subject to Hong Kong's stamp duty policy on transaction. Both parties of a transaction are subject to a stamp duty of 0.1% of the transaction amount.

**V. Difference in restriction on price fluctuation**

The trading of B shares is subject to a price fluctuation limit of 10%.

There is no such restriction on H share.

**VI. Difference in reselling mechanism**

For a lot of B shares purchased on one day are not allowed to be resold on the same day, the B shares' reselling mechanism is T+1.

H shares' reselling mechanism is T+0, for a lot of H shares purchased on one day can be resold on the same day. There is no restriction of the frequency of transaction of such H shares. For those shares on the short-selling list (such as large blue chips), shares could be sold before they are purchased.

Overseas investors conducting transactions outside Mainland China could conduct same day trading in accordance with relevant regulations. Domestic investors and overseas investors conducting transactions within Mainland China could only hold or sell the Company's H Shares duly held as a result of the conversion of the listing location of the Company's B shares after the implementation of this Proposal, and could not conduct any

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same day trading of H shares.

## **VII. Difference in settlement system**

Settlement system of B shares is T+3, which means settlement is made on the fourth trading day after the transaction order is placed (inclusive of the day of order placing) and formal settlement of payment and shares is completed on the fourth trading day from the completion of transaction. Investors would not be able to withdraw the proceeds from share disposal or place order to transfer the purchased shares before the settlement of payment and shares.

Settlement system of H shares is T+2. The settlement of payment and shares should be conducted before 3:45 pm of the following business day after the transaction is completed. Investors would not be able to withdraw proceeds or share certificate, or change nominees for the purchased shares before the settlement of payment and shares. Overseas investors conducting transactions outside Mainland China shall complete share transaction settlement in accordance with the relevant H share regulations. Transactions of domestic investors and overseas investors conducting transactions within Mainland China shall be settled on T+2. If T+2 is not a trading day of SZSE, the settlement will be postponed to the immediate following day that is a trading day to both exchanges.

## **VIII. Difference in the minimum price variations (spreads)**

The minimum price variation in B shares is HK\$0.01.

The minimum price variation in H shares varies according to the prices of the shares at the time of their listing as described in the table below:

Unit: HK\$

<b>Price range</b>	<b>Spread</b>
0.01-0.25	0.001
0.25-0.50	0.005
0.5-10	0.01
10-20	0.02
20-100	0.05
100-200	0.1
200-500	0.2
500-1,000	0.5
1,000-2,000	1.0

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2,000-5,000	2.0
5,000-9,995	3.0

## **IX. Difference in market pre-opening mechanism**

### **1. Market pre-opening mechanism of B shares in Shenzhen**

Between 9:20-9:25 and 14:57-15:00 of each trading day, the mainframe of the SZSE would not accept any cancellation posting from parties participating in at-auction. During the time slot when order posting is accepted, the posting, if not filled, could be cancelled. Between 9:25- 9:30 of each trading day, the mainframe only accepts order posting but would not process sale and purchase posting or cancellation posting.

Securities' opening prices are determined by call auction. When an opening price could not be determined by call auction, it would be reached by way of continuous auction.

### **2. Market pre-opening mechanism of H shares in Hong Kong**

The pre-open session between 9:00 and 9:30 covers four different time slots: Order input period (9:00-9:15): General at-auction orders could be input, modified or cancelled. If the order deals with only reduction in amount of shares in a transaction, its time priority for matching would not be affected. If the order deals with change in set prices or increase in amount of shares in a transaction, it would lose its original time priority for matching. Pre-order matching period (9:15-9:20): Only at-auction orders could be input. Orders could not be modified or cancelled.

Order matching period (9:20-9:28): During this period, automatic matching of general at-auction orders is being processed while no input, modification or cancellation of order are allowed. Transactions completed during order matching period are regarded as being completed at the start of the period. Blocking period (9:28-9:30): During the period no terminal activities are allowed, it is a break between pre-opening session to continuous trading session. During blocking period, no input, change or cancellation of order are allowed.

According to the trading rules of SE, general at-auction orders comprise of at-auction orders and limit orders. At-auction order refers to a purchase or sale order without a specified price input by investors during the specified time period, while limit orders means a purchase or sale order with a specified price input by investors during the specified time period. After the conversion of the Company's B shares into H shares, overseas investors conducting transactions outside Mainland China could post at-auction orders and limit

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orders, while domestic investors and overseas investors conducting domestic transactions within Mainland China could only post limit orders.

#### **X. Margin financing**

Margin trading in Hong Kong is a mature and well established practice. Investors could open either cash account or margin account. Investors with margin account could purchase shares or subscribe shares of initial public offer by margin financing. By using margin financing, investors could borrow funding from banks or securities companies to purchase shares, and need only to provide a fraction of the required share purchasing costs.

Whether overseas investors conducting transactions outside Mainland China are able to utilise margin financing depends upon the availability of such services from the related overseas securities companies at which their accounts are opened and shares are deposited. Domestic investors and overseas investors conducting transactions within Mainland China would not be able to utilise margin financing.

#### **XI. Restriction on rights of shares**

According to results of the Company's inquiry, as of 31 December 2012, with the exception of one domestic natural person investor holding 750 B shares in the Company, with whose shares being frozen; none of the Company's B shares was subject to rights restriction such as being pledged or frozen.

This serves as a reminder to the above-mentioned shareholder with his B shares being frozen or the related rights holders, and other shareholders or the related rights holders of shares with rights restriction for whatsoever reasons, should adopt, in accordance with their own actual needs, lawful measures to protect their rights as conferred by the shares held by them in accordance with the Proposal in a timely manner (including filing for execution of the cash option in a timely manner), before the date of filing for cash option execution.

**The above information only illustrates the relatively obvious differences in trading H shares and B shares. Investors are advised to have a thorough understanding of the characteristics and differences in trading of B shares and H shares.**

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Please visit the following websites for details.

Website of the SZSE: <http://www.szse.cn>

Website of the SEHK: <http://www.hkex.com.hk>

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## **Chapter 6 Opinions and Their Explanation**

### **I. Opinions of Independent Directors**

With regard to this Proposal, independent directors of the Company consider that:

1. The Proposal has been prepared after taking into full account of the current situation of the Company's B shares, and the necessity of listing and trading of the Company's shares on the main board of the SEHK. The Proposal conforms to development strategies of the Company as well as the interests of the Company and shareholders as a whole, and is instrumental to the long-term development of the Company.

2. The Proposal provides sufficient protection to shareholders' interests.

3. The voting procedure in board meeting is in compliance with relevant provisions of laws, regulations, normative documents, Articles of Association and Rules Governing the Procedures of Board Meetings.

4. Independent directors agree with the overall arrangement in relation to change in listing location of the Company' B shares and listing and trading on the main board of the SEHK by way of introduction.

### **II. Opinions of Financial Advisor**

CITIC Securities, Financial Advisor of this Proposal, considers that:

1. Conversion of the listing location of the Company's domestically listed foreign shares for the shares' listing and trading on the SEHK by way of introduction does not violate provisions of relevant laws and regulations;

2. The Implementation of this Proposal would enable the Company to expedite its internationalization process. It also conforms to the Company's development strategies and the interests of the Company and shareholders as a whole.

### **III. Opinions of Legal Advisor**

This Proposal does not violate provisions of laws and regulations including Company Law and Securities Law. It is subject to consideration at China Vanke shareholders' meeting (including B shareholders) and approval by more than two-thirds of the voting rights of all shareholders and B shareholders attending the shareholders meeting respectively, as well as ratification and approval by CSRC and other authorities. There is

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no legal barrier for this Proposal under the laws of Mainland China.

**IV. Disclosure of trading in the Company's shares by directors, supervisors, or members of senior management**

During the six months preceding the Board's approval of this resolution, no directors, supervisors, or senior members of management of the Company purchased or sold any shares in the Company. Nor did any director, supervisor, or senior member of management of the Company commit any act of insider trading or market manipulation, whether independently or with other parties.



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(This page contains no text. It is saved for signatures for the Proposal for Change of Listing Location of Domestically Listed Foreign Shares of China Vanke Co., Ltd. and Listing & Trading on the Main Board of The Stock Exchange of Hong Kong Limited by Way of Introduction)

China Vanke Co., Ltd.  
19 January 2013