



CHINA VANKE CO., LTD.

**ANNOUNCEMENT REGARDING MATTERS RELATING TO
THE EXERCISE OF OPTIONS IN THE SECOND EXERCISE PERIOD OF
THE A-SHARE STOCK OPTION INCENTIVE SCHEME**

The conditions of the second exercise period of the A-Share Stock Option Incentive Scheme (“Scheme”) of China Vanke Co., Ltd. (“China Vanke” or “the Company”) approved at the first extraordinary general meeting in 2011 of the Company have been fulfilled. Approved by the sixteenth session of the board (the “Board”) of Directors (“Directors”), the beneficiaries of the Scheme can exercise 30% of their options during the second exercise period commencing on 29 May 2013 and up to the last trading day (24 April 2015) of the 48 months from the grant date. Details are as follows:

I. Brief introduction to the Scheme

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

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

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

After the proposal on dividend distribution for the year 2010 was implemented on 27 May 2011, the exercise price of the A-share stock options was adjusted to RMB8.79 upon consideration by the Board. After the proposal on dividend distribution for the year 2011 was implemented on 5 July 2012, the exercise price of the A-share stock options was adjusted to RMB8.66. After the proposal on dividend distribution for the year 2012 was implemented on 16 May 2013, the exercise price of the A-share stock options was

adjusted to RMB8.48.

The first exercise period of the stock option incentive scheme commenced on 12 July 2012. The beneficiaries of the Scheme can exercise 40% of their options before 24 April 2014. As at 30 April 2013, a total of 12,055,341 stock options had been exercised by the beneficiaries of the Scheme.

II. The vesting conditions of the second exercise period of the Scheme and remarks on the fulfilment of the vesting conditions

(I) The vesting conditions to be fulfilled in the second exercise period include the following:

1. The net profit attributable to the shareholders of the Company and the net profit after extraordinary items attributable to the shareholders of the Company in each of the years within the validity period of the Scheme should not be lower than the average of those in the three financial years prior to the grant date and should not be a negative figure;
2. For 2012 (Year T+1), the fully diluted ROE should not be lower than 14.5%; the net profit growth rate in 2012 when compared with 2010 should not be lower than 45%.
3. None of the followings has happened to the Company:
 - (1) The financial report for the most recent financial year contains an audit report issued by a certified public accountant with an adverse opinion or disclaimer of opinion;
 - (2) Faced administrative action taken by China Securities Regulatory Commission (“CSRC”) for material breaches in the most recent year;
 - (3) Other situations recognized by CSRC
4. No misrepresentations contained in the financial documents of the Company;
5. None of the followings has happened to the beneficiaries:
 - (1) Become a supervisor or a person who cannot hold share or stock options of the Company;
 - (2) Publicly reprimanded or declared to be not a “suitable person” by the stock exchange;
 - (3) Faced administrative action taken by CSRC for material breaches;
 - (4) Restricted by “The Company Law of the People’s Republic of China” to take up the position of directors and senior management members;
 - (5) Violate the requirements of laws and regulations, or the requirements of the Company’s code of internal control, or commit negligence or misconduct as defined in the labour contract, causing serious damage to the Company’s interests or reputation;
 - (6) Violate the requirements of the relevant laws and administrative regulations of the People’s Republic of China or the requirements of the Articles of Association, causing the Company to suffer significant economic losses;
 - (7) Company has sufficient evidence to prove that the beneficiary has violated laws and disciplines through such actions as bribery, extortion, corruption, theft, leakage of operational and technological secrets, which damage the Company’s interest, reputation and cause the Company to suffer loss;
 - (8) Beneficiaries failed to meet the requirements of the performance appraisal for the previous year;

(9) Other situations recognized by the remuneration and nomination committee of the Board in which stock options not yet vested could not be exercised.

(II) Fulfilment of the vesting conditions of the second exercise period

1. According to the Company's audited financial report for 2012 reviewed and passed at the Company's 2012 annual general meeting, the net profit attributable to the shareholders of the Company for 2012 was RMB12,551 million and the net profit after extraordinary items attributable to the shareholders of the Company for 2012 was RMB12,511 million, which were not lower than the average level of RMB5,549 million and RMB5,426 million for the three financial years (2008-2010) prior to the grant date of stock options (25 April 2011);

2. The fully diluted ROE for 2012 was 19.66%; the net profit growth rate in 2012 was 72.83% when compared with that of 2010.

3. None of the above-mentioned situations had happened to the Company or beneficiaries.

In view of the vesting conditions needed to be satisfied in the second exercise period of the A-share stock option incentive scheme and the actual performance of the Company, the vesting conditions of the stock options in the second exercise period had been fulfilled.

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

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

No.	Name	Capacity	No. of stock options exercisable in the second exercise period ('000 units)	No. of stock options exercised by senior management in the six months prior to this announcement ('000 units)
1	Wang Shi	Chairman	1,980	800
2	Yu Liang	President	1,650	2,200
3	Ding Changfeng	Executive Vice President	660	850
4	Xie Dong	Executive Vice President	660	500
5	Zhang Jiwen	Executive Vice President	660	-
6	Mo Jun	Executive Vice President	660	500
7	Xiao Li	Executive Vice President	660	500
8	Wang Wenjin	Executive Vice President	660	880
9	Zhou Weijun	Executive Vice President	600	545.2
10	Mao Daqing	Executive Vice President	600	-
11	Tan Huajie	Board Secretary	480	-
12	629 other core staff members		17,550.15	-
Total			26,820.15	-

Certain beneficiaries resigned prior to the fulfilment of the vesting conditions of the second exercise period and therefore failed to qualify for being a beneficiary of the Scheme. As such, there are 640 beneficiaries who can exercise their vested stock options in the second exercise period and a total of 26,820,150 stock options exercisable in the second exercise period.

Certain directors and senior management staff of the Company had exercised their stock options in the six months prior to the publication of this announcement. Please

refer to the above table for details on the stock options exercised by them.

3. Exercise price: Due to the implementation of the proposal on dividend distribution for each of the years 2010, 2011 and 2012, the current exercise price of the Company's A-share stock options is RMB8.48. Should dividend distribution, transfer of capital surplus reserve to share capital, issue of bonus shares, stock split or stock consolidation etc. occur during the exercise periods, the exercise price of the stock options will be adjusted accordingly.
4. Beneficiaries cannot exercise their stock options during the following periods:
 - (1) The period commencing from the 30 days prior to the announcement of a periodic report to the second trading day after the date of announcement of the periodic report; should the announcement date of the periodic report be delayed due to special reasons, the period will commence from the 30 days prior to the originally scheduled date of announcement.
 - (2) The period commencing from the 10 days prior to the announcement of results forecast and results highlights to the second trading day after the date of such announcement;
 - (3) The period where the decision-making process regarding a substantial transaction or significant event takes place up to the second trading day after the announcement of such matter;
 - (4) The period commencing from the day of occurrence of other significant events that may affect the share price up to the second trading day after the announcement of such event.

5. The exercise of stock options will not affect the public float requirement
The number of stock options exercisable this time is 26,820,150, representing 0.24% of the Company's total share capital of 11,006,757,559 shares as at the end of the first quarter of 2013. Should the stock options exercisable in the second exercise period are fully exercised, the Company's total share capital will increase by 26,820,150 shares. As such, it will not violate the public float requirement.

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

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

The beneficiaries under the Scheme opted to make their own decisions with respect to the exercise of their stock options. The independent third party commissioned by the Company had estimated the value of the stock options based on a binomial model for option pricing, and such assessment was reflected in the financial statements. According to the assessment results, the fair value of the stock options in the first exercise period was RMB88,790,000, the fair value of the stock options in the second exercise period was RMB94,280,000, and the fair value of the stock options in the third exercise period was RMB110,980,000.

If the stock options exercisable in this exercise period are fully exercised, the total number of the Company's shares will increase by 26,820,150 shares, while capital surplus reserves will increase by RMB200,614,700. If based on the relevant data of 2012, and assuming the stock options exercisable in this exercise period are fully exercised within one year, the Company's basic earnings per share will drop by RMB0.0028, while the fully diluted ROE will drop by 0.0616%.

V. Verification of the list of beneficiaries by the Supervisory Committee

Upon verification of the list of beneficiaries who can exercise their stock options in the second exercise period of the Company, the Supervisory Committee is of the opinion that:

1. the beneficiaries are in compliance with the requirements of the relevant laws, rules and normative documents including "Measures for the Administration of the Equity Incentive Plans of Listed Companies (Provisional)", "Memorandum of Understanding No. 1-3 on Matters Regarding Equity Incentives", and they have met the performance targets for the year under review, which satisfied the vesting conditions stipulated in the "A-Share Stock Option Incentive Scheme (Revised Draft) of China Vanke Co., Ltd.". They are legally and validly qualified for being the beneficiaries of the Company's stock options;
2. except for those who have failed to qualify for being the beneficiaries due to resignation or other reasons, the list of beneficiaries this time is in line with the list of beneficiaries under the stock option incentive scheme reviewed and passed at the Company's first extraordinary meeting in 2011.

VI. Verification of the list of beneficiaries by independent Directors

Independent Directors of the sixteenth session of the Board of the Company had verified the list of beneficiaries who can exercise their stock options in the second exercise period of the Company's A-share stock option incentive scheme, and expressed their independent opinions as follows:

1. the beneficiaries who can exercise their stock options this time are in compliance with the requirements of the relevant laws, rules and normative documents including "Measures for the Administration of the Equity Incentive Plans of Listed Companies (Provisional)", "Memorandum of Understanding No. 1-3 on Matters Regarding Equity Incentives", and they satisfied the vesting

- conditions stipulated in the “A-Share Stock Option Incentive Scheme (Revised Draft) of China Vanke Co., Ltd.”. They are legally and validly qualified for being the beneficiaries of the Company’s stock options;
2. except for those who have failed to qualify for being the beneficiaries due to resignation or other reasons, the list of beneficiaries this time is in line with the list of beneficiaries under the stock option incentive scheme reviewed and passed at the Company’s first extraordinary meeting in 2011;
 3. the exercise of stock options helps establish a check-and-balance mechanism between the shareholders and professional management team through linking up their interests, and encourages the creation of long-term value, thereby further optimizing the Company’s corporate governance structure and strengthening the Company’s competitiveness.

VII. Verification opinion on the list of beneficiaries by the remuneration and nomination committee

The beneficiaries are in compliance with the requirements of the relevant laws, rules and normative documents including “Measures for the Administration of the Equity Incentive Plans of Listed Companies (Provisional)”, “Memorandum of Understanding No. 1-3 on Matters Regarding Equity Incentives”, and they have met the performance targets for the year under review, which satisfied the vesting conditions stipulated in the “A-Share Stock Option Incentive Scheme (Revised Draft) of China Vanke Co., Ltd.”. They are legally and validly qualified for being the beneficiaries of the Company’s stock options.

VIII. Conclusive Opinion in Legal Opinion Letter by Lawyer

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

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

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

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

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

XI. Remarks on other issues

1. Save as the aforesaid Directors and senior management members of the Company participating in the Scheme who had exercised their stock options in the six months prior

to the publication of this announcement, other Directors and senior management members of the Company participating in the Scheme had not involved in any trading of the Company's shares.

2. The beneficiaries of the Scheme financed all the costs and expenses incurred in the exercise of stock options and the related personal income tax. The Company undertakes that it will not provide loans or any form of financial assistance (including the provision of guarantees for their loans) to the beneficiaries for acquiring the relevant equity interest under the Scheme.

XII. Documents for inspection

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

Board of Directors
China Vanke Co., Ltd.

Shenzhen, 28 May 2013