



China Vanke Co., Ltd.

Announcement Regarding Unsubstantiated Claim of Overdue Payable Land Appreciation Tax

There had been recent media reports claiming that the provision of RMB4,434 million for land appreciation tax settlement stated in the 2012 Annual Report of China Vanke Co., Ltd. (the "Company") was an unsettled overdue land appreciation tax. The reports also suggested that four projects developed by enterprises under the Company, namely Dream Town in Jilin, The Paradiso in Guangzhou, Le Bonheur in Guangzhou and Jinyu Huating in Guangzhou, had not settled their respective land appreciation tax in a timely manner. After verification by the Company, the actual situations have been identified as follows:

1. According to the requirements stipulated under "Notice on Administration of Land Appreciation Tax Settlement by Real Estate Developers" (Guoshuifa [2006] No.187) and "Land Appreciation Tax Settlement Protocol" (Guoshuifa [2009] No.91), the three conditions required for the settlement of land appreciation tax are as follows:
 - (i) property projects that have completed construction and sale;
 - (ii) the overall transfer of uncompleted real estate development projects;
 - (iii) the direct transfer of land use rights

As verified by the Company, none of the four projects mentioned in the media reports satisfy any one of the abovementioned conditions and are thus not applicable for "settlement of land appreciation tax". Details are as follows:

- (i) Guangzhou Jinyu Huating's current proportion of sold GFA was only 49 per cent, far from meeting the condition of land appreciation tax settlement
- (ii) According to audited actual cost and revenue estimation, Jilin Dream Town's current gross profit margin was only 16 per cent. It is expected that the actual payable land appreciation tax after clearing would be less than the prepaid amount and is thus subject to tax refund
- (iii) The Paradiso and Le Bonheur in Guangzhou have yet to complete their sale. The latest handover days of the two projects were December 2013. Although the two projects have not met the conditions for settlement, the project companies are in the process of preparing relevant materials in preparation for settlement.

- 2 Pursuant to the requirements of accounting standards, provision for land appreciation tax of a property project shall be made upon recognition of revenue based on recognized revenue and respective costs with reasonable estimation of possible payable land appreciation tax in a prudent manner. The provision is appropriated in accordance to accounting treatment procedures and is irrelevant to an enterprise's current tax obligation. In addition, the provision is an enterprise's own estimation only, and the taxation authority would determine an enterprise's actual tax obligation in the future using specific calculation methods and procedures without referring to the enterprise's self-estimated data.

As at 31 December 2012, the Company had appropriated RMB4,435 million as provision for land appreciation tax settlement for possible land appreciation tax in the future according to the requirements of accounting standards. The Company has no unsettled payable land appreciation tax.

The Company has always been complying with the relevant requirements and regulations with respect to operations and tax payment. Total tax paid by the Company's subsidiaries, joint ventures and associated companies for the past three years amounted to approximately RMB62,000 million; among which, land appreciation tax amounted to approximately RMB14,400 million.

Board of Directors
China Vanke Co., Ltd.

Shenzhen, 31 December 2013