

**Important Notice:**

*The Board of Directors, the Supervisory Committee and the Directors, members of the Supervisory Committee and senior management of the Company warrant that in respect of the information contained in this report, there are no misrepresentations or misleading statements, or material omission, and individually and collectively accept full responsibility for the authenticity, accuracy and completeness of the information contained in this report.*

*Chairman Wang Shi, Director Yu Liang, Director Sun Jianyi, Director Shirley L. Xiao, Independent Director David Li Ka Fai, Independent Director Judy Tsui Lam Sin Lai, Independent Director Qi Daqing, Independent Director Zhang Liping attended the board meeting in person. Deputy Chairman Qiao Shibo, and Director Jiang Wei were not able to attend the board meeting in person due to their business engagements and had authorised Director Yu Liang to represent them and vote on behalf of them at the board meeting. Director Wang Yin was not able to attend the board meeting in person due to business engagements and had authorised Director Shirley L. Xiao to represent him and vote on his behalf at the board meeting.*

*Chairman Wang Shi, Director and President Yu Liang, and Executive Vice President and Supervisor of Finance Wang Wenjin, declare that the financial report contained in the annual report is warranted to be true and complete.*

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## **I. To Shareholders**

We have repeatedly discussed about the past and the future, opportunities and dreams as well as doubt and controversy over the PRC residential property industry in our past annual reports. In 2010, such a dynamic industry in such extraordinary times continued to undergo an eventful year. Yet, we are not surprised, as all that happened were within our expectation.

For those who are concerned about China Vanke, they may still remember the year 2010 because of a special number – 100 billion.

The sales of China Vanke exceeded RMB100 billion in 2010. This figure made up of the numbers ‘1’ and ‘0’ seems to have a mysterious characteristic. Nevertheless, it is only because we have chosen our system to be decimal. When the mystery is unveiled, the amount is only the base number being scaled, which is not worth further study .

However, a different interpretation commands special attention to this number – 100 billion. It represents the record-high annual sales of a world-class property company. The 100 billion level is also the peak that a non-state-owned enterprise can reach.

The extraordinary era has not come to an end, and remarkable changes and events are expected to continue to take place in the dynamic property industry. Faced with the unprecedented record high, perhaps China Vanke should divert more of its attention to self-assessment. That will bring it back to the starting point of enterprise logic.

### **Reasons for existence**

World is a vanity fair. Racing and rioting, the the whole world goes after profit. The saying has described the situations and weakness of many people – but not everyone. What exactly is the meaning of life? This question continues to preoccupy many thinkers throughout their lives. To an enterprise, there is a similar question: “What are the reasons for an enterprise to exist?”

Everyone has a different starting point and fate. Some are rich because of inherited wealth; some succeed because of luck. As such, the significance of being is far beyond one’s possession This is particularly true to an enterprise. Ownership of scarce natural resources or monopoly protection will certainly enable an enterprise to exist for a long period of time, while enjoying excessive returns. But from the society’s point of view, it would not make a difference whether such an enterprise exists or not, or whether it is replaced by another enterprise.

In view of the above, an enterprise needs to add value to social wealth to sustain its existence. Such addition of social wealth is reflected in satisfying more people’s needs. Therefore, a great enterprise is one that can satisfy people’s wants, which could not be satisfied in the past, through revolutionary innovation. Utilizing the same amount of social resources, a successful enterprise can satisfy more people’s needs through improvement in manufacturing and operation to raise productivity or reduce transaction costs.

Shareholders’ decisions give birth to an enterprise. Out of their own pocket, they pay to establish the enterprise, hoping that the funds they put into the company will grow. When a shareholder invests in an enterprise, it implies that the shareholder has foregone the opportunity for investing through other channels to make profit. From this perspective, an enterprise is said to have a passing grade if it generates a shareholder return not less than the average return rate in the society. An outstanding enterprise is one that can deliver to the shareholders returns above society average level. A prominent enterprise not only creates a shareholder return above society average level, but is also able to maintain continuous growth in shareholder return.

An enterprise is not a machine assembled from a pile of screws but comprised of individuals who have thoughts and feelings. Many in the team have spent a part of the most important period in their life at the enterprise. During this period, the time they spend with their colleagues at work may even be longer than the time they have with their families. They contribute not only time and skill, but also dedicate their youth and passion. What they look for is not merely a salary, but also work experience. Their dignity needs to be

protected. Their ideas need to be nourished. Their talent needs to be displayed. When combining the utility of each society member, the social utility is achieved. Since an enterprise is an individual component of a society, its contribution to increasing the utility of its employees naturally counts as a measure of reasons for its existence.

We cannot deny that there are some enterprises that do not ponder on these issues and can still survive or even enjoy a golden age. However, we firmly believe that there is a better chance for those enterprises having found the reason for their existence to pave their way to the future without relying on external benefits.

### **Quality for growth**

For those who run an enterprise, it seems they have an intuitive impulse to seek expansion in operation scale. The company size is closely related to the managers' sense of accomplishment, amount of resources in hand and even social status.

While an enterprise needs reasons for its existence, so does an enterprise seeking growth.

If the growth of an enterprise results in an increase in social transaction costs and decrease in the efficiency of social resources, such growth is a waste in the society. If the growth of an enterprise leads to a decreased shareholders' rate of return, such growth is actually a loss to the shareholders. If the growth is achieved at the expense of employees' health and happiness, such growth has violated humanity.

Based on the above logic, China Vanke has since 2004 made clear that quality growth and increase in operational efficiency are what the Company goes after. Simply growth numbers should not be the Company's target. It should be the natural result from increased operational efficiency.

Shareholder return should be at the core of quality growth. Creating shareholder return is the duties of professional managers. Sheer bigger size without any attachment to returns means nothing to the shareholders. Without generating economic gain (returns exceeding society average level) is equivalent to not creating shareholders' value. Return on assets is the key financial indicator to assess whether the operation is successful or not. It is also a crucial factor in measuring economic gain.

Quality growth should reflect economies of scale and operational efficiency. When "diseconomies of scale" appears as a result of overgrowth, social resources are wasted. Quick turnover has been the fundamental operating strategy of China Vanke. It is also the inevitable choice to ensure safe operation and social resources conservation.

Product quality is the bottom line for operation quality as well as the lifeline for enterprise survival. There should not be any ambiguity in the safety in production and housing and quality compliance.

Lastly, growth needs to be sustainable. Financial indicators reflect the current operation quality, while sustainability determines future operation quality. A lasting company of 100 years old must have good internal control and risk management, provide a pleasant working experience to its staff, become a favourite business partner, respect society and Nature, and assume social responsibility.

Growth in scale will create favourable conditions for economies of scale. Yet, it will also increase complexity in management. On the one hand, it will make it more difficult to control internal transaction costs. On the other hand, any minor errors will be magnified exponentially. As such, 100 billion is not the core indicator of China Vanke's past success but a hallmark of the advent of new challenges. These new challenges are definitely not the numbers 200 billion, 300 billion or any figures but are how the Company can achieve perpetual quality growth over a sales amount unprecedented in the industry.

### **Eternal faith**

Since its inception, China Vanke has gone through 26 years. Yet, the Company sees its business just start to take off. Of all the riches it accumulated in the past 26 years, China Vanke cherishes most is a few set of beliefs that it has been upholding since the Company was founded, and not the RMB200 billion total assets. In the long journey ahead, these beliefs will be the source of courage and motivation for China Vanke.

These beliefs include:

**Pursuit of excellence** This means we will always strive to be the leader and first-mover in the market. We aspire to become a world-class outstanding company and a benchmark for the industry. These will be our perpetual goal that we will forever pursue. We are audacious and ready to face any new challenges. Together with the city we grow in tune with the changes in people's way of living. We do not follow industry trend but prepare for its arrival through continuous innovation and exploration. By doing so, we will be the first to offer solutions. Indeed, our mission is to lead market advance. We respect Nature and environment, as much as we are concerned about the future of humankind. Our unswerving objective is to be an outstanding green enterprise.

**Customer orientation** It all begins with understanding our customers' way of living. Customers are the only qualified judge to determine the value of our products and services. As such, creating more value for our customers is almost like taking a step closer to enhancing market competitiveness, increasing shareholder return and achieving team objectives. Customers are the best teachers. Only by increasing our understanding of their needs, including discovering those needs that are not yet satisfied can we continue to innovate, optimize our products and services and identify the right direction for business opportunities.

**Rewarding shareholders** We mean to create excellent shareholder return. We use shareholder return as an ultimate indicator of our operating performance. As a company run by professional managers, we double our discipline and effort to work towards being the most favourite and trusted enterprise among investors, and to achieve a win-win situation as far as shareholders' interest, and the career and aspirations of managers are concerned.

**Growing together** This implies respect for employees and partners. Staff dedication and employee involvement are keys to China Vanke's success and development respectively. We believe humankind has a noble nature; we believe in the power of understanding and trust; we believe a much simpler interpersonal relationship and corporate culture that speaks of greater equality will facilitate teamwork and attract more people with common goals to join us. Respect for each other is our basic social principle. We believe an open mind can help us win over more allies. We especially treasure those partners whose visions and goals are close to ours. We seek to jointly develop and progress with our partners via collaborations, in order to enhance each of our own competitive edge, which will then be a win-win situation.

**Efficiency a priority** By this, we mean to value resources, speed up turnover and rely on professionalism to obtain a fair return. We cherish all types of valuable social resources, including talents, capital, land, raw materials. As such, we hope to maximise their potential and reduce wastage. We persevere with a fundamental operating strategy of achieving quick turnover, and work all-out to raise investment accuracy, with aim to minimise the use of land and capital to create greater shareholder return. We insist on continuous reform, promote industry production method and advance in operation management, facilitate knowledge sharing and standardisation, realise economies of scale, and enhance efficiency of both organisation as a whole and individuals. We strive to rely on professionalism to lift the price/performance ratio of our products, with an attempt to use minimal resources to create a better customer experience.

**Sustainable development** This encompasses the meaning of healthy operation and in harmony with society and the environment. Our top priority under any circumstances is to ensure the safe operation of the Company. We will not compromise on product quality, law observance, credibility and sound financial position. We are of the view that improvement in risk management and internal control of a company should be given priority over the growth of operation scale. We believe a balanced competitive edge and prudent operation style can help the enterprise deal with a more complicated business environment. We also believe the enterprise will gain social recognition and develop in harmony with society and the environment by making extra efforts and committing to more responsibilities.

Based on these beliefs, China Vanke has set its theme for 2011 as follows: "Beliefs define achievement; infinity starts with self-discipline" ("境由心生，知止无界")

Beliefs define achievement: culture, values, beliefs define the height that an organisation can reach. High ambitions, respect for others, quality growth and sustainable development have always been China Vanke's goals and beliefs, and will never be changed. All these have been fuelling the Company's achievement and will continue to provide the foundation on which the Company bases its development.

Infinity starts with self-discipline: by recognising one's own limit, knowing when to accept and when to let go and by being self-disciplined, an individual or organisation can gain unlimited opportunities for development. The existence of an enterprise can be further explained by understanding the boundary of the enterprise. An enterprise exists for creating value for the society, while the boundary of an enterprise is defined by its respect for social needs. Only by making the choice between acceptance and letting go and adhering to self-discipline principles to achieve customer orientation, rewarding shareholders, respect for society can China Vanke obtain the opportunities for sustainable development and realise its goal to pursue excellence.

A new year has begun. These are the commitments made by the Company to the future. And they are also words spoken to our shareholders from the bottom of our hearts.

## II. Basic Corporate Information

1. Company name (Chinese): 万科企业股份有限公司  
Company name (English): China Vanke Co., Ltd. ("Vanke")
2. Legal representative: Wang Shi
3. Secretary of the Board: Tan Huajie  
E-mail address: [IR@vanke.com](mailto:IR@vanke.com)  
Securities Affairs Representative: Liang Jie  
E-mail address: [IR@vanke.com](mailto:IR@vanke.com)
4. Contact address: Vanke Center, No. 33 Huanmei Road, Dameisha, Yantian District, Shenzhen, the People's Republic of China
5. Telephone number: 0755-25606666  
Fax number: 0755-25531696
6. Registered address: Vanke Center, No. 33 Huanmei Road, Dameisha, Yantian District, Shenzhen, the People's Republic of China  
Postal code: 518083  
Office address: Vanke Center, No. 33 Huanmei Road, Dameisha, Yantian District, Shenzhen, the People's Republic of China  
Postal code: 518083
7. Website: [www.vanke.com](http://www.vanke.com)  
E-mail address: [IR@vanke.com](mailto:IR@vanke.com)
8. Media for disclosure of information: "China Securities Journal", "Securities Times", "Shanghai Securities News" and an English publication in Hong Kong  
Website for publication of annual reports: [www.cninfo.com.cn](http://www.cninfo.com.cn)
9. Place for annual report collection: The Office of the Company's Board of Directors
10. Stock exchange on which the Company's shares are listed: Shenzhen Stock Exchange
11. Company's share abbreviation and stock codes on the stock exchange: Vanke A, 000002  
Vanke B, 200002
12. First registration date of the Company: 30 May 1984; location: Shenzhen  
Date of change in registration: 13 April 2010; location: Shenzhen
13. Corporate legal person business registration no.: 440301102900139
14. Taxation registration code: Local taxation registration code: 440304192181490  
State taxation registration code: 440301192181490
15. Organisation code: 19218149-0

16. The name and address of the certified public accountants appointed by the Company:  
KPMG Huazhen Certified Public Accountants: 8/F, Office Tower E2, Oriental Plaza, 1 East Chang An Avenue, Beijing

### III. Accounts and Financial Highlights

#### 1. Three-year financial information summary (Unit: RMB)

	2010	2009	2008
<b>Revenue</b>	47,763,550,428	46,047,893,250	38,619,214,077
Results from operating activities	14,566,666,634	9,095,535,238	8,844,809,759
Share of profits less losses of associates and jointly controlled entities	291,703,046	541,860,863	209,735,863
Profit before income tax	14,542,867,027	9,293,002,888	8,420,227,338
Income tax expense	(5,703,256,522)	(2,862,995,349)	(3,780,358,185)
Profit for the year	8,839,610,505	6,430,007,539	4,639,869,153
Profit attributed to minority	(1,556,483,466)	(1,100,269,812)	(606,699,125)
<b>Profit attributed to Equity shareholders of the Company</b>	<b>7,283,127,039</b>	<b>5,329,737,727</b>	<b>4,033,170,028</b>
<b>Basic earnings per share</b>	<b>0.66</b>	<b>0.48</b>	<b>0.37</b>
Diluted earnings per share	0.66	0.48	0.37
Dividend per share	0.10	0.07	0.05

#### 2. Impact of IFRS Adjustments on Net Profit (Unit: RMB)

Items	Net profit for 2010
As determined pursuant to PRC accounting standards	7,283,127,039
As restated in conformity with IFRS	7,283,127,039

### IV. Change in Share Capital and Shareholders

#### 1. Change in Share Capital

##### (1) Change in the shares of the Company (Unit: share, as at 31 December 2010)

Class of Shares	31 December 2009		Increase / decrease (+, -)	31 December 2010	
	Quantity	Percentage of shareholding		Quantity	Percentage of shareholding
<b>I. Restricted Shares</b>					
1. State-owned and State-owned legal person shares					
2. Shares held by domestic legal persons					
3. Shares held by domestic natural persons	24,159,840	0.22%	-4,795,062	19,364,778	0.18%
4. Shares held by foreign investors					
<b>Total number of restricted shares</b>	<b>24,159,840</b>	<b>0.22%</b>	<b>-4,795,062</b>	<b>19,364,778</b>	<b>0.18%</b>
<b>II. Non-restricted Shares</b>					
1. RMB-denominated ordinary shares (A shares)	9,656,094,910	87.82%	4,795,062	9,660,889,972	87.86%
2. Domestic listed foreign shares (B shares)	1,314,955,468	11.96%	0	1,314,955,468	11.96%
<b>Total number of non-restricted shares</b>	<b>10,971,050,378</b>	<b>99.78%</b>	<b>4,795,062</b>	<b>10,975,845,440</b>	<b>99.82%</b>
<b>III. Total Number of Shares</b>	<b>10,995,210,218</b>	<b>100.00%</b>	<b>0</b>	<b>10,995,210,218</b>	<b>100.00%</b>

Notes: Details on the change in the Company's share capital are as follows:

(1) During the reporting period, the Shenzhen office of China Securities Depository & Clearing Corporation Limited, according to regulations, imposed or lifted the selling restrictions on certain restricted shares held by directors, members of the Supervisory

Committee and senior management staff, leading to a decrease of 4,795,062 shares in the number of restricted tradable shares held by the Company's domestic natural persons and a corresponding increase in the Company's non-restricted tradable shares.

## Change in Restricted Shares

Unit: share

Name of shareholder	Number of restricted shares held at the beginning of the year	Number of lifted restricted shares during the year	Number of restricted shares increased during the year	Number of restricted shares held at the end of the year	Reasons for selling restriction	Date of release of lock-up period
Wang Shi	5,227,065	114,164	0	5,112,901	Director	The Shenzhen office of China Securities Depository & Clearing Corporation Limited, according to regulations, imposed or lifted the selling restrictions on certain restricted shares held by directors, members of the Supervisory Committee and senior management staff
Yu Liang	3,662,860	583,176	0	3,079,684	Director, senior management staff	
Ding Fuyuan	1,548,918	35,112	0	1,513,806	Member of Supervisory Committee	
Sun Jianyi	519,177	0	0	519,177	Director	
Zhang Li	1,036,204	1,036,204	0	0	Member of Supervisory Committee	
Zhou Qingping	0	0	15,000	15,000	Member of Supervisory Committee	
Liu Aiming	1,650,978	412,745	0	1,238,233	Senior management staff	
Ding Changfeng	1,487,660	371,915	0	1,115,745	Senior management staff	
Xie Dong	1,487,660	371,915	0	1,115,745	Senior management staff	
Zhang Jiwen	1,548,950	387,238	0	1,161,712	Senior management staff	
Mo Jun	1,548,950	387,238	0	1,161,712	Senior management staff	
Xu Hongge	1,650,978	412,745	0	1,238,233	Senior management staff	
Shirley L. Xiao	1,446,849	361,712	0	1,085,137	Director, senior management staff	
Wang Wenjin	1,343,591	335,898	0	1,007,693	Senior management staff	
<b>Total</b>	<b>24,159,840</b>	<b>4,810,062</b>	<b>15,000</b>	<b>19,364,778</b>	<b>-</b>	<b>-</b>

## (2) Issue and listing of shares

### A. Issue of shares and derivative securities in the past three years

#### Issue of corporate bonds

Approved by Zhengjian Xu Ke [2008] No. 1056 documents of China Securities Regulatory Commission ("CSRC"), the Company issued an announcement on 2 September 2008 that it would make a public issue of corporate bonds with a par value not exceeding RMB5.9 billion. The corporate bonds in this issue were classified into secured bonds and unsecured bonds. Both of them bore a fixed interest rate with a 5-year maturity. The issuer of the unsecured bonds had the right to raise the coupon rate at the end of the third year of the maturity period, while investors had the right to resell their bonds. Pursuant to the feedback on the price, the coupon rate of the Company's secured bonds was 5.50%, and that of the unsecured bonds was 7.00%. The issue was completed on 9 September 2008 and the actual size of the issue of secured bonds was RMB3 billion, while the actual size of the issue of unsecured bonds was RMB2.9 billion. The Company's corporate bonds started to trade on the Shenzhen Stock Exchange on 18 September 2008. The stock codes of the Company's secured bonds and unsecured bonds are 112005 and 112006 respectively and their abbreviations are 08VankeG1 and 08VankeG2 respectively.

During the year under review, there was no change in the number of issued corporate bonds.

B. During the year under review, there was no change in the Company's total number of shares.

C. As at the end of the year under review, the Company did not have any internal employee shares.

## 2. Information on Shareholders (as at 31 December 2010)

### (1) Information on shareholders

Unit: share

Total number of shareholders		1,144,654 (A shares: 1,117,665, B shares: 26,989)			
Shareholdings of the top 10 shareholders					
Name of shareholder	Classification of shareholder	Percentage of shareholdings	Total number of shares held	Number of restricted shares held	Number of pledged or lock-up shares
CRC	State-owned legal person	14.73%	1,619,094,766	0	0
Liu Yuansheng	Others	1.22%	133,791,208	0	0
Bank of China–E Fund Shenzhen Stock Exchange 100 Exchange-Traded Fund (E Fund Securities Fund)	Others	1.02%	112,282,473	0	0
China Construction Bank–Bosera Thematic Stock Securities Investment Fund	Others	0.97%	107,000,000	0	0
Bosera Value Growth Securities Investment Fund	Others	0.91%	100,000,000	0	0
Industrial and Commercial Bank of China–Rongtong Shenzhen Stock Exchange 100 Index Securities Investment Fund	Others	0.85%	93,309,734	0	0
China Life Insurance Company Limited–Dividend Distribution–Individual Dividend-005L-FH002 Shen	Others	0.83%	91,741,448	0	0
HTHK/CMG FSGUFP-CMG First State China Growth FD	Foreign shareholder	0.81%	89,427,768	0	0
China Life Insurance Company Limited–Traditional – General Insurance Products - 005L-CT001 Shen	Others	0.72%	79,567,826	0	0
Toyo Securities Asia Limited-A/C client	Foreign shareholder	0.71%	77,566,240	0	0
Shareholdings of the top 10 shareholders of non-restricted shares					
Name of shareholder	Number of non-restricted shares held		Class of shares		
CRC	1,619,094,766		Ordinary RMB-denominated shares (A shares)		
Liu Yuansheng	133,791,208		Ordinary RMB-denominated shares (A shares)		
Bank of China–E Fund Shenzhen Stock Exchange 100 Exchange-Traded Fund (E Fund Securities Fund)	112,282,473		Ordinary RMB-denominated shares (A shares)		
China Construction Bank–Bosera Thematic Stock Securities Investment Fund	107,000,000		Ordinary RMB-denominated shares (A shares)		
Bosera Value Growth Securities Investment Fund	100,000,000		Ordinary RMB-denominated shares (A shares)		
Industrial and Commercial Bank of China–Rongtong Shenzhen Stock Exchange 100 Index Securities Investment Fund	93,309,734		Ordinary RMB-denominated shares (A shares)		
China Life Insurance Company Limited–Dividend Distribution–Individual Dividend-005L-FH002 Shen	91,741,448		Ordinary RMB-denominated shares (A shares)		
HTHK/CMG FSGUFP-CMG First State China Growth FD	89,427,768		Domestic listed foreign shares (B shares)		
China Life Insurance Company Limited–Traditional – General Insurance Products-005L-CT001 Shen	79,567,826		Ordinary RMB-denominated shares (A shares)		
Toyo Securities Asia Limited-A/C client	77,566,240		Domestic listed foreign shares (B shares)		



Remarks on the connected relationship or action in concert of the aforementioned shareholders	China Construction Bank–Bosera Thematic Stock Securities Investment Fund and Bosera Value Growth Securities Investment Fund are funds managed by Bosera Fund Management. China Life Insurance Company Limited – Dividend Distribution–Individual Dividend-005L-FH002 Shen and China Life Insurance Company Limited– Traditional – General Insurance Products-005L-CT001 Shen are funds managed by China Life Insurance Company Limited. Apart from the above-mentioned relationships, it is not known as to whether there are other connections or persons deemed to be acting in concert under the Measures for the Administration of the Takeover of Listed Companies among the above-mentioned shareholders.
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**(2) Number of shares held by the top 10 shareholders of restricted shares and the conditions of selling restrictions**

Unit: Share

No.	Name of shareholder of restricted shares	Number of restricted shares held	Date on which listing and trading may commence	Number of new shares that may be listed and traded	Conditions of selling restrictions
1	Wang Shi	5,112,901	—	—	The Shenzhen office of China Securities Depository & Clearing Corporation Limited, according to relevant regulations, put selling restrictions on the Company's shares held by Director., Member of Supervisory Committee and the senior management.
2	Yu Liang	3,079,684			
3	Ding Fuyuan	1,513,806			
4	Liu Aiming	1,238,233			
5	Xu Hongge	1,238,233			
6	Zhang Jiwen	1,161,712			
7	Mo Jun	1,161,712			
8	Ding Changfeng	1,115,745			
9	Xie Dong	1,115,745			
10	Shirley L. Xiao	1,085,137			

**(3) Controlling shareholders and beneficial controllers**

There were neither controlling shareholders nor beneficial controllers in the Company, and this situation remained the same during the year under review.

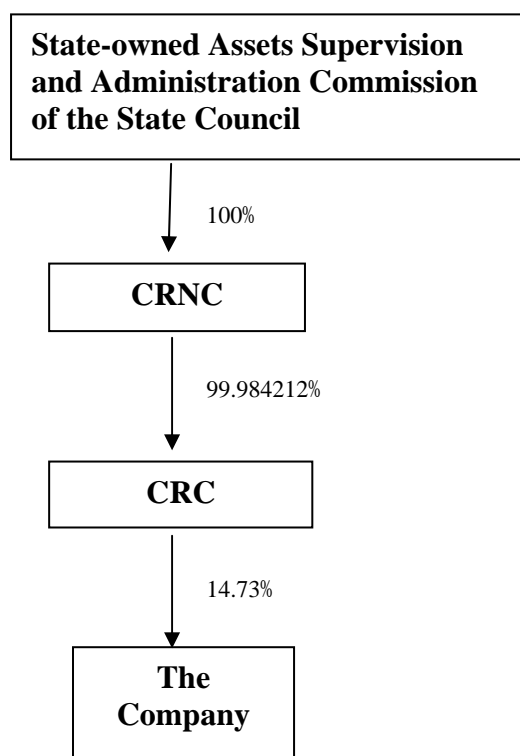
**(4) The single largest shareholder**

As at the end of the year under review, CRC was the single largest shareholder of the Company, holding an aggregate of 1,619,094,766 A shares of the Company, which represented 14.73 per cent of the total number of the Company's shares.

CRC was promoted and established by China Resources National Corporation ("CRNC") in June 2003, with Mr Song Lin as its legal representative. CRC's major assets include 100 per cent equity interests in China Resources (Holdings) Co., Ltd. ("CRH") and other assets in the PRC. Its core businesses include manufacturing and distribution of consumer goods, property and related industries, infrastructure facilities and public utilities. The registered address of CRC is China Resources Building, No. 8 Jianguomen North Avenue, Dongcheng District, Beijing. CRC has a registered capital of approximately RMB16,467 million. CRNC holds 16,464,463,526 State-owned shares in CRC, representing 99.984212 per cent of CRC's total share capital. The other four promoters, namely COFCO, China Minmetals Corporation, Sinochem Corporation and China Huaneng Group, each owns 650,000 State-owned legal person shares in CRC, representing 0.003947 per cent of CRC's total share capital respectively.

CRNC has a registered capital of approximately RMB9,662 million. Its major assets are the equity interests in CRC. 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 CRNC.

The following chart shows the equity relationship between the single largest shareholder and the Company:



### 3. Bondholdings of the Company's bondholders (as at 31 December 2010)

#### (1) Name of the top 10 bondholders of 08 Vanke G1 bonds and their bondholdings

No.	Bondholder	No. of bonds held	Bondholding percentage
1	New China Life Insurance Company–Dividend Distribution–Individual Dividend -018L-FH002 Shen	5,548,262	18.49%
2	China Petroleum Finance Co., Ltd.	4,157,662	13.86%
3	China Pacific Insurance (Group) Co. Ltd.	3,433,312	11.44%
4	China Ping An Life Insurance Company Limited–Traditional–General Insurance Products	2,760,727	9.20%
5	China Life Insurance Company Ltd.	2,619,042	8.73%
6	China Life Property and Casualty Insurance Company Limited–Traditional–General Insurance Products	1,820,000	6.07%
7	CNPC Pension Scheme - ICBC	1,018,194	3.39%
8	China Life Pension Company Limited–Internal Resources	1,000,000	3.33%
9	China Property & Casualty Reinsurance Company Ltd.	776,162	2.59%
10	Generali China Life Insurance–Investment Related Products–Stock Account	706,500	2.36%

Note: China Life Pension Company Limited, which manages “China Life Pension Company Limited–Internal Resources”, is a majority-owned subsidiary of China Life Insurance Company Limited. China Life Property and Casualty Insurance Company Limited and China Life Insurance Company Limited, which manage “China Life Property and Casualty Insurance Company Limited–Traditional–General Insurance Products”, are majority-owned subsidiaries of China Life Insurance (Group) Company. China Petroleum Finance Co., Ltd, which is entrusted to manage “CNPC Pension Scheme – ICBC”, is a subsidiary of the trustor, CNPC. Apart from the above-mentioned relationships, it is not known as to whether there are other connections or persons deemed to be acting in concert under the Measures for the Administration of the Takeover of Listed Companies among the above-mentioned bondholders.

#### (2) Name of the top 10 bondholders of 08 Vanke G2 bonds and their bondholdings

No.	Bondholder	No. of bonds held	Bondholding percentage
1	ICBC Credit Suisse Asset Management Co., Ltd–ICBC–Assets of Specific Clients	2,728,528	9.41%
2	CCB–ICBC Credit Suisse Credit Tianli Bond Securities Investment Fund	2,196,450	7.57%
3	ICBC- Harvest Stable Earning Bond Securities Investment Fund	2,012,707	6.94%
4	China National Machinery Import & Export Corporation	1,500,759	5.18%

5	206 Portfolio of National Social Security Fund, PRC	1,430,218	4.93%
6	CCB–Fullgoal Tianfeng Surging Income Bond Securities Investment Fund	1,364,700	4.71%
7	Bank of Communications–China AMC Bond Investment Fund	1,196,931	4.13%
8	CNPC Pension Scheme–ICBC	972,256	3.35%
9	801 Portfolio of National Social Security Fund, PRC	959,778	3.31%
10	China Ping An Trust & Investment Co. Ltd–CMB Furui Life Individual	922,343	3.18%

Note: “ICBC Credit Suisse Asset Management Co., Ltd–ICBC–Assets of Specific Clients” and “ICBC Credit Suisse Credit Tianli Bond Securities Investment Fund” are managed by ICBC Credit Suisse Asset Management Co., Ltd. Apart from the above-mentioned relationships, it is not known as to whether there are other connections or persons deemed to be acting in concert under the Measures for the Administration of the Takeover of Listed Companies among the above-mentioned bondholders.

## V. Directors, Members of Supervisory Committee, Senior Management and Employees

### 1. Directors, Supervisors and Senior Management

#### (1) Basic information

##### Brief introduction to directors

**Wang Shi**, male, born in 1951. He joined the military force in 1968. Wang Shi changed his career in 1973 and worked in the Water and Electrical supply department of Zhengzhou Railway. Wang Shi graduated from Lanzhou Railway College in 1978 majoring in water supply studies. After graduation, he had worked for Guangzhou Railway Bureau, Foreign Trade and Economic Cooperation Committee of Guangdong Province, and Shenzhen Special Region Development Company. In 1984, he established “Shenzhen Exhibition Centre for Modern Science and Education Equipment”, the predecessor of China Vanke, and acted as general manager. He became chairman and general manager of China Vanke Co. Ltd. in 1988. Mr Wang no longer acted as the general manager with effect from 1999. At present, he is the chairman of the Company. Mr Wang is also a director of Sohu.com Inc, and an independent director of China Resources Land Limited (“CRL”), Shanghai Metersbonwe Fashion & Accessories Co., Ltd., Central China Real Estate Limited, and Modern Media Holdings Limited respectively.

**Qiao Shibo**, male, born in 1954, graduated from the Jilin University in 1983 with a bachelor’s degree in Chinese Language and Literature. He had served as a department head at the Ministry of Foreign Trade and Economic Cooperation of the People’s Republic of China (now Ministry of Commerce), the deputy general manager and general manager of the Human Resources Department of CRH, the general manager and chairman of China Resources Petrochems (Group) Co., Ltd. In 2000, Mr Qiao served as the director and assistant general manager of CRH. During this period, he also served as the deputy managing director of China Resources Enterprise Ltd. and the chairman of China Resources Machinery & Minmetals (Holdings) Co., Ltd. In 2003, Mr Qiao was a director and deputy general manager of CRH, during which he also served as the chairman of China Resources (Jilin) Bio-Chemical Co., Ltd., the chairman of the board of China Resources Cement Holdings Ltd., the chief executive officer of China Huayuan Group Ltd., and the general manager of Sanjiu Medical & Pharmaceutical Co., Limited. In 2008, he was a director and general manager of CRH, as well as the vice chairman and president of China Resources Medications Group Limited, the chairman of China Resources Enterprise Limited, the chairman of China Resources Sanjiu Medical & Pharmaceutical Co., Ltd., and the chairman of Shandong Dong E E Jiao Co., Ltd. He is a director and general manager of CRH, and the chairman of China Resources Enterprise, Limited. He has been a director and the deputy chairman of the Company since 2010.

**Yu Liang**, male, born in 1965. He graduated from the Faculty of International Economics Studies of Peking University with a bachelor’s degree in 1988. Mr Yu obtained a master’s degree in economics from Peking University in 1997. He had previously worked for Shenzhen Waimao Group. He joined the Company in 1990. He became the general manager of Shenzhen Vanke Financial Consultancy Company Limited in 1993 and the deputy general manager of the Company in 1996, and the executive deputy general manager and Supervisor of Finance of the Company in 1999. He has been the general manager of the Company since 2001 and a director of the Company since 1994. At present, Mr Yu is the president of the Company.

**Sun Jianyi**, male, born in 1953. He graduated from Zhongnan University of Finance and Economics, majoring in finance studies. He is a senior economist. He worked at Wuhan branch, the People’s Bank of China in 1971 and was appointed as deputy department head and director. He became deputy general

manager of Wuhan Branch, the People's Insurance Company of China, Limited and the committee member of the Communist Party Committee in 1985. Between 1990 and 2003, Mr Sun acted as assistant to general manager, deputy general manager, executive deputy general manager and executive director for Ping An Insurance Company of China. In 2003, he became the executive director, executive deputy general manager and deputy chief executive officer of Ping An Insurance (Group) Company of China, Limited. Since 2008, he has been the vice chairman and deputy chief executive officer of Ping An Insurance (Group) Company of China, Limited. At present, Mr Sun is the chairman of Ping An Bank Limited and a director of Ping An Life Insurance Company of China, Limited, Ping An Property & Casualty Insurance Company of China, Limited, China Ping An Trust & Investment Co., Limited and Ping An Annuity Insurance Company of China, Limited. He has been a director of the Company since 1995. He became an executive director in 1997 and deputy chairman of the Company in 1998. He was an independent director of the Company from 2001 to 2008. He became the convener of the remuneration and nomination committee and a member of the audit committee in 2005. He has become a director and a member of the remuneration and nomination committee of the Company since 2008.

**Wang Yin**, male, born in 1956. He graduated from Shandong University with a bachelor's degree in economics. He also obtained a master's degree in Business Administration from the University of San Francisco. Mr Wang had worked in the Foreign Economic and Trade Cooperation Department. He became the deputy officer of CRNC in 1984, deputy general manager of the Human Resources Department of CRH in 1988, and the general manager of China Resources Construction (Holdings) Ltd., a subsidiary of CRH, in 1996. He is the deputy managing director of CRH and the chairman of CRL. He has been a director of the Company since 2002.

**Shirley L. Xiao**, female, born in 1964. She graduated from Wuhan University, majoring in English Literature in 1984. She obtained a master's degree in Business Administration from China Europe International Business School in 2000. She had worked in Central South University of Technology, China Technology Data Import & Export Co. and Mitsubishi Corporation Shenzhen Office. She joined China Vanke in 1994, and had since become the deputy director and director of the General Manager's Office, as well as the director of the Office of the Company's Board. From 1995 to 2009, she was the secretary of the Board of Directors. She has been a director of the Company since 2004, and a member of the investment and decision-making committee of the Board of the Company since 2005. Since 2007, she has been an executive vice president of China Vanke.

**Jiang Wei**, male, born in 1963. He graduated from Foreign Economy and Trade University and obtained a master's degree in international business and finance. He joined CRNC in 1988 and CRH in 1990. He became the general manager of the Finance Department of CRH in 1999 and a director of CRH in 2000. Mr Jiang became a director and financial controller of CRH in 2002, financial controller of CRC in 2003 and a director of CRC in 2005. At present, Mr Jiang is a director and deputy general manager of CRH, a director of CRC, a director of China Resources Enterprise, Limited, China Resources Power Holdings Company Limited, CRL, and a non-executive director of China Asset (Holdings) Limited, an executive director of Cosmos Machinery Enterprises Limited and an independent director of Greentown China Holdings Limited. He became a member of the Supervisory Committee of the Company in 2001 and has been a director of the Company since 2005. He has been a member of the audit committee and a member of the investment and decision-making committee of the Board of the Company since July 2005.

#### **Brief introduction to independent directors**

**David Li Ka Fai**, male, born in 1955. He graduated from London City University in the UK in 1978. He is a FCPA of Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England & Wales, a fellow member of the Association of Chartered Certified Accountants and Institute of Chartered Secretaries and Administrators. At present, he is the deputy managing partner of Li, Tang, Chen & Co. Certified Public Accountants and an independent non-executive director and a member of the audit committee and the remuneration committee respective of China Merchant Holdings (International), an independent non-executive director and a member of the audit committee and the remuneration committee respectively of AVIC International Holding (HK) Limited (formerly known as CATIC International Holdings Limited), an independent non-executive director and the chairman of the audit committee of China-Hongkong Photo Products Holdings Ltd., an independent non-executive director, chairman of the audit committee, and a member of the remuneration committee of Cosmopolitan International Holdings Ltd., an independent non-executive director, chairman of the audit committee,

member of the remuneration committee, member of the nomination committee of Goldlion Holdings Limited, and an independent non-executive director, and chairman of the audit committee of Shanghai Industrial Urban Development Group Limited. He has been an independent director and the convener of the audit committee of the Company since 2005.

**Judy Tsui Lam Sin Lai**, female, born in 1955. She is the Associate Vice President, Director of the Graduate School of Business and Chair Professor of Accounting at The Hong Kong Polytechnic University. Ms Tsui also holds positions as honorary professor and visiting professor at several top universities in Mainland China. She is the first professor in accounting that was awarded the Cheung Kong Chair Professor by China's Ministry of Education. She has been appointed as a visiting professor of the Research Centre for Social and Organizational Behaviour of the Chinese Academy of Sciences, and a visiting scholar of the Sloan School of Management of the Massachusetts Institute of Technology (MIT) in the USA. Ms Tsui was appointed by the Chief Executive of the Hong Kong SAR Government to serve as a member of the University Grants Committee and the statutory Financial Reporting Council. She is a fellow of both the Hong Kong Institute of Certified Public Accountants and Hong Kong Institute of Directors, and an honorary fellow of CPA Australia. Ms Tsui is the first non-US citizen and the first Hong Kong scholar appointed as the vice president (international) of the American Accounting Association. She has been an independent director of the Company since 2005.

**Qi Daqing**, male, born in 1964. Mr Qi graduated from College of Business, Michigan State University in the USA and obtained a PhD in accountancy. Mr Qi obtained a master's degree in management from University of Hawaii in the USA and a dual bachelor's degree in biophysics and international journalism from Fudan University. He had worked for The Chinese University of Hong Kong and Eli Broad Graduate School of Management of Michigan State University in the USA, Center for East-west Studies in the USA and special correspondent foreign affairs department in Xinhua News Agency. He is currently a professor and vice president of Cheung Kong Graduate School of Business, a member of American Accounting Association, independent director of listed companies of NYSE, NASDAQ and Hong Kong. He has become an independent director, convener of the remuneration and nomination committee and a member of the audit committee of the Company since 2008.

**Zhang Liping**, male, born in 1958, graduated from Beijing Institute of Foreign Trade in 1980. He obtained his master's degree in international affairs and international law from St. John's University, the USA, in 1987. Mr Zhang had worked for the Ministry of Foreign Trade and Economic Cooperation (now Ministry of Commerce) and had served as director of the Investment Banking Division of Merrill Lynch, the USA, managing director and head of Greater China Region of Dresdner Bank, Germany, managing director of Pacific Concord Holdings Limited, Hong Kong, and chief executive officer of Imagi International Holdings Ltd, Hong Kong. In 2004, Mr Zhang joined Credit Suisse First Boston and is currently a member of the Global Investment Banking Department Operating Committee and vice chairman of Global Investment Banking Department and CEO (China) of Credit Suisse Group. Mr Zhang is also an independent non-executive director of the board of Zhejiang Expressway Co., Ltd. He has become an independent director, convener of the investment and decision-making committee and a member of the remuneration and nomination committee of the Company since 2010.

#### **Brief introduction to members of the Supervisory Committee**

**Ding Fuyuan**, male, born in 1950. He holds a tertiary qualification. He had worked in Guangdong Provincial Tourism Department, South China Sea Oil Joint Service Corporation, South China Petroleum Shenzhen Development Service Corporation and Nanhai Huaxin Group. He joined China Vanke in 1990 and became the deputy director of the General Manager's Office in February 1991. In October 1991, he became the manager of the Human Resources Department of the Company. He has been the secretary of the Communist Party Committee of the Company since 1995. He became a member of the first Supervisory Committee of the Company in 1993 and has been the Chairman of the Supervisory Committee of the Company since 1995.

**Wu Ding**, male, born in 1965. He holds a bachelor's degree in economics from Shanxi University of Finance and Economics and a master's degree in Business Administration from China Europe International Business School. He joined CRH in 1993 and had served as project manager for the Enterprise Development Division of CRH, chairman/general manager of China Resources Shanghai Co., Ltd. and deputy general manager of CRL. He is now the chairman/general manager of China Resources Investment and Asset

Management Company Limited, chairman of China Resources Parking Holdings Limited and a director of China Resources SZITIC Trust Co.,Ltd. He has been a member of the Supervisory Committee of the Company since 2010.

**Zhou Qingping**, male, born in 1969. He graduated from Hunan University (former Hunan Institute of Finance and Economics) in 1993, with a bachelor's degree in accounting. He is a registered accountant in the PRC. He had worked in Xiangcai Securities Co., Ltd. He joined China Vanke in 1995 and served as finance manager of Vanke Financial Consultancy Company Limited. He became financial controller of Chengdu Vanke Real Estate Co., Ltd. in 2000 and deputy general manager of the Company's Risk Management Department in 2003. He has been the general manager of the Company's Risk Management Department and a member of the Supervisory Committee of the Company since 2010.

#### **Brief introduction to senior management**

**Yu Liang:** For biography of Yu Liang, please refer to the "Brief introduction to directors".

**Liu Aiming**, male, born in 1969. He graduated from the Department of Civil Engineering, Tsinghua University, with a bachelor's degree in building and structural engineering in 1991 and obtained a master's degree in building materials from Tsinghua University in 1993. He had worked in China Overseas Construction (Shenzhen) Co., Ltd as director, assistant general manager as well as the manager of the Property Department. He became the managing director of China Overseas Construction (Shenzhen) Co., Ltd in 2001 and the deputy general manager of Zhonghai Real Estate Co., Ltd. in 2002. He joined the Company in 2002 as deputy general manager. He is currently an executive vice president of China Vanke.

**Ding Changfeng**, male, born in 1970. He graduated from Peking University with a bachelor's degree in international politics in July 1991. He obtained a master's degree in global economics from Peking University in 1998. He had worked for Jiangsu Yancheng Party School. He joined China Vanke in 1992 and became deputy director of the Research Centre of the General Manager's Office of the Company in August 1994. He was the chief editor of "Vanke Periodical" in 1995 and the assistant to general manager of Northeast Operation and Management Department of the Company in January 1996. He was the deputy general manager of Northeast Department of the Company in 1997 and the deputy general manager of Shanghai Vanke Real Estate Co., Ltd. in 1998. He became the manager of the Company's Corporate Planning Department in 1999, and the general manager of Shanghai Vanke Real Estate Company Limited in 2000. He had been deputy general manager of the Company since 2001. He is currently an executive vice president of China Vanke.

**Xie Dong**, male, born in 1965. He graduated from Nanjing Engineering Institution in 1987 with a bachelor's degree in wireless electricity. He received a master's degree in business administration from Shanghai Jiao Tong University in 1997. He had worked in Shenzhen RGB Electronic Co., Ltd., the headquarters of China Shenzhen TV Company. He joined the Company in 1992. He became the manager of the Company's Personnel Management Department in 1996, and the general manager and director of the Company's Human Resources Department in 2000 and 2001 respectively. He became deputy general manager of the Company in 2004. He is currently an executive vice president of China Vanke.

**Zhang Jiwen**, male, born in 1967. He graduated from Tsinghua University with a bachelor's degree in architecture in 1987 and obtained a master's degree in engineering in 1994 from Tsinghua University. He had worked in Guizhou Architecture and Design Institute, Shenzhen Jin Xiu Zhong Hua Development Co., Ltd., Shenzhen Window of the World Co., Ltd., Guangzhou Hua Heng Design Company, and Ho & Partners Architects Engineers & Development Consultants Ltd. in Hong Kong. He joined Shanghai Vanke Real Estate Co., Ltd. in 2001 as deputy general manager and became the Company's design director in 2003. He became deputy general manager of the Company in 2004. He is currently an executive vice president of China Vanke.

**Mo Jun**, male, born in 1967. He graduated from Tsinghua University in 1991 with a bachelor's degree in architecture. He obtained an MBA degree from the China Europe International Business School in 2004. He joined the Company in 1991. He was the manager of Shenzhen Wanchuang Construction and Design Consultants Co., Ltd. in 1996, the general manager of Shenzhen Vanke Real Estate Co., Ltd. in 1999, the general manager of Beijing Vanke in 2000, deputy general manager of the Company in March 2000, and executive deputy general manager of the Company in 2001. He resigned from the Company and became

executive deputy general manager of Beijing Rongke Zhidi Real Estate Co., Ltd. in March 2003. He joined the Company again as deputy general manager in October 2004. He is currently an executive vice president of China Vanke.

**Shirley L. Xiao:** for biography of Shirley L. Xiao, please refer to the “Brief introduction to directors”.

**Wang Wenjin**, male, born in 1966. He graduated from Zhongnan University of Economics and Law in 1994 with a master’s degree. He is a registered accountant in the PRC. He had worked for Hefei No. 10 Plastic Factory and Anhui Optical Sophisticated Mechanic Research Centre of China Academy of Sciences. He joined the Company in 1993 and became the deputy manager of the Company’s Finance Department in 1998. He was the general manager of China Vanke’s Finance Department in 1999, and has been the Supervisor of Finance since 2002. Since 2004, he has been the financial controller of the Company. He is currently an executive vice president of China Vanke.

**Du Jing**, male, born in 1971, graduated from the Southeast University in 1992 with a bachelor’s degree in architecture. He obtained a master’s degree in business administration from Cheung Kong Graduate School of Business in 2009. He had previously worked for China Overseas Construction (Shenzhen) Company Limited, China Overseas Development Company Limited and China Overseas Property Limited. Mr. Du Jing joined the Company in 2002, and was appointed as the general manager of Guangzhou Vanke in 2003. He became the vice president of the Company and general manager of Shenzhen Vanke Real Estate Co., Ltd. in 2007. He has been an executive vice president of China Vanke since January 2011.

**Tan Huajie**, male, born in 1973. He graduated from the First Faculty of Mechanical Engineering of Huazhong University of Science and Technology in 1993. He joined the Company in January 2001. He was appointed as the manager of the Customer Relations Department in December 2003, and became the chief researcher and deputy director of the Office of the Board in October 2004. Since February 2008, he has been the director of the Office of the Board. He has been appointed as the secretary to the Board of Directors since March 2009.

## **(2) Remuneration and changes in shareholdings of directors, members of Supervisory Committee and senior management during the year under review**

The Company continued to follow the principle of its remuneration policy, which is “to offer competitive salaries according to market principles to retain and attract high-calibre professionals”. The remuneration of the Company’s senior management members was determined not only with reference to market level but also in accordance with the growth in the overall operating results of the Company. In 2010, the Company achieved rapid growth in its operating results. This was reflected in the remuneration of the senior management members employed by the Company, while the remuneration of those directors and members of Supervisory Committee who were not employed by the Company was determined at shareholders meeting.

During the year under review, the aggregate amount of remunerations of the 13 directors, members of Supervisory Committee and senior management who were employees of the Company was RMB52.40 million. Among the directors and members of Supervisory Committee who were not employed by the Company, three directors, namely Mr Wang Yin, Mr Jiang Wei and Mr Sun Jianyi, each received a remuneration amount of RMB150,000. Director Mr Qiao Shibo received a director’s remuneration of RMB60,000. Independent Directors Mr David Li Ka Fai, Ms Judy Tsui Lam Sin Lai and Mr Qi Daqing each received independent director’s remuneration of RMB250,000; Independent Director Zhang Liping received independent director’s remuneration of RMB100,000; Mr Wu Ding, a member of the Supervisory Committee, received a remuneration of RMB120,000. Mr Qiao Shibo, Mr Wang Yin, Mr Jiang Wei and Mr Wu Ding also received salaries from a connected entity of CRC. Mr Wang Shi also received remuneration for his role as independent director from CRL, a connected entity of CRC.

**Remuneration of directors, members of the Supervisory Committee and senior management of the Company is as follows:**

Name	Position	Sex	Age	Period of service	Number of shares held at the beginning of 2010	Number of shares held at the end of 2010	Reasons for changes	Total remunerations received from the Company during the year under review (RMB'000)	Any remunerations received from shareholders or other connected entities
Wang Shi	Chairman	M	60	2008.4~	6,817,201	6,817,201		7,600	Yes
Yu Liang	Director, President	M	46	2008.4~	4,106,245	4,106,245		6,800	No
Ding Fuyuan	Chairman of Supervisory Committee	M	61	2007.4~	2,018,408	2,018,408		4,200	No
Qiao Shibo	Deputy Chairman	M	57	2010.8~	0	0		60	Yes
Sun Jianyi	Director	M	58	2008.4~	692,236	692,236		150	No
Wang Yin	Director	M	55	2008.4~	0	0		150	Yes
Jiang Wei	Director	M	48	2008.4~	0	0		150	Yes
David Li Ka Fai	Independent Director	M	56	2008.4~	0	0		250	No
Judy Tsui Lam Sin Lai	Independent Director	F	56	2008.4~	0	0		250	No
Qi Daqing	Independent Director	M	47	2008.4~	0	0		250	No
Zhang Liping	Independent Director	M	53	2010.8~	0	0		100	No
Wu Ding	Member of Supervisory Committee	M	46	2010.3	0	0		120	Yes
Zhou Qingping	Member of Supervisory Committee	M	42	2010.3~	20,000	20,000		1,400	No
Liu Aiming	Executive Vice President	M	42	2002.12~	1,650,978	1,650,978		3,700	No
Ding Changfeng	Executive Vice President	M	41	2001.2~	1,487,660	1,487,660	4,200	No	
Xie Dong	Executive Vice President	M	46	2004.3~	1,487,660	1,487,660	3,300	No	
Zhang Jiwen	Executive Vice President	M	44	2004.8~	1,548,950	1,548,950	4,200	No	
Mo Jun	Executive Vice President	M	44	2004.10~	1,548,950	1,548,950	3,700	No	
Xu Hongge	Executive Vice President	M	40	2005.7~	1,650,978	1,650,978	4,200	No	
Shirley L Xiao	Director, Executive Vice President	F	47	2007.10~	1,446,849	1,446,849	3,300	No	
Wang Wenjin	Executive Vice President	M	45	2007.10~	1,343,591	1,343,591	3,300	No	
Tan Huajie	Secretary to the Board	M	38	2009.3~	0	0	2,500	No	
Total	-	-	-	-	25,819,706	25,819,706	-	53,880	-

**(3) Change and reasons for the change in directors, members of the Supervisory Committee and senior management during the year under review**



During the year under review, by democratic election, the Company's Staff Committee elected Mr Zhou Qingping as Staff Representative Supervisor. The 2009 Annual General Meeting approved the election of Mr Ding Fuyuan and Mr Wu Ding as members of the Supervisory Committee.

During the year under review, Mr Song Lin resigned as director and deputy chairman of the Board. At the Company's First Extraordinary General Meeting in 2010, Mr Qiao Shibo was elected as director and Mr Zhang Liping as independent director. The Twelfth meeting of the Fifteenth Board approved the election of Mr Qiao Shibo as deputy chairman of the Board.

**Subsequent event:**

In January 2011, Mr Xu Hongge resigned as executive vice president. The Board appointed Mr Du Jing as executive vice president.

**2. Number and Composition of Employees**

As at 31 December 2010, there were 22,850 employees on the Company's payroll, representing an increase of 29.7 per cent from that of the previous year. The average age of the employees was 28.3.

Among the entire workforce, there were 4,464 employees engaged in the property development division, representing an increase of 30.9 per cent from the previous year. The average age of the staff working for this division was 29.1 and the average years of service were 3.8; in terms of education level, 0.36 per cent held doctoral degree, 15.17 per cent with master's degree, 67.74 per cent with university degree, 14.27 per cent with tertiary education and 2.46 per cent with education below tertiary level. Employees with university degree or above accounted for 83.27 per cent of the total staff in the property development division. The composition of employees in the property development division by job classification is as follows: 642 marketing and sales staff, accounting for 14.38 per cent and up by 27.9 per cent from the previous year; 2,525 professional technicians, accounting for 56.57 per cent and up by 49.8 per cent from the previous year; among the professional technicians, 1,401 were construction staff, accounting for 31.38 per cent, 506 were designers, accounting for 11.34 per cent and 261 were cost management staff, accounting for 5.85 per cent; there were 357 project development staff, accounting for 8.00 per cent. The number of management staff, including those working in the departments of finance, audit, IT, legal, human resources, customer relations and data analysis as well as senior management staff, was 1,297, accounting for 29.05 per cent and up by 6.05 per cent from the previous year.

There were 18,386 employees engaged in property management, up by 29.4 per cent from the previous year. The average age was 27.5 and the average years of service was 2.1. In terms of education level, 0.24 per cent held master's degree, 8.01 per cent with university degree, 15.68 per cent with tertiary education and 76.07 per cent with education below tertiary level. Employees with tertiary education or above accounted for 23.93 per cent of the total staff in the property management division.

**VI. Corporate Governance Structure**

**1. Elaboration on the Company's Compliance with the Requirements Set Out in the Regulatory Documents on Corporate Governance of Listed Companies**

China Vanke had strictly complied with the requirements of the laws, regulations and regulatory documents governing listed companies and continued to fine-tune its corporate legal person governance structure and regulate its operation. There had been no discrepancy between the Company's governance structure and the requirements of the regulations on corporate governance of listed companies. Moreover, the Company had not faced with any problems with horizontal competition and connected transactions caused by partial restructuring.

In 2010, the Company continued to step up efforts to improve its corporate governance. During the year under review, the Company established a system to make claims against those liable for material errors in annual report information disclosure. Pursuant to the centralised deployment of CSRC, Shenzhen Bureau, the Company pushed ahead with the standardisation of financial and accounting basic tasks, improvement of internal audit of financial reports, self-inspection of the establishment and implementation of an effective mechanism for the prevention of capital being used, and strengthened the promotion and execution of inside information management, so as to further enhance internal control. So far no insider who has access to inside information has violated the laws to engage in insider trading.

In 2010, the Company received The Best Board of Directors Award at the Sixth Session of the Gold Roundtable Awards organised by the Directors & Boards publication and co-organised by The Listed Companies Association. The Company was awarded the Best Corporate Governance at the Third Session of the Best Board of Directors of Listed Companies in China organised by Moneyweek, received 2010 Best Corporate Governance Practices of Listed Companies in China Award and 2010 Best Board of Directors of Listed Companies Award from the Research Center of Corporate Governance at Nankai University.

Corporate governance is a long-term commitment. In the future, the Company will continue to adhere to the principle of “professionalism + regulation + transparency”, and to further enhance its corporate governance.

## 2. The Company’s Independence from Its Single Largest Shareholder in Business Operation, Staff, Assets, Organisation and Finance

The Company continued to persist in maintaining complete independence from its single largest shareholder CRC and its connected companies with respect to business operation, staff, assets, organisation and finance, to ensure independence in its business integrity and operation autonomy.

The Company has not disclosed any unpublished information to CRC, its single largest shareholder, or taken any other action that might violate the code of corporate governance.

## 3. Execution of the Duties of the Independent Directors

In 2010, all independent directors continued to give independent opinions and constructive advice to the Company on its development strategies, remuneration scheme, stock option incentive plan, internal control development, external guarantee issues, derivatives investment and accounting treatment. With the active participation of the independent directors, the corporate governance was further enhanced.

Independent directors had actively participated in the inspection of the Company’s projects. In the past year, they paid site visits to the projects in Chengdu and Xi’an, and conducted interviews during their visits; they focused on the financial situation, progress of implementation of business plans and internal control development of companies in different areas. Through all of the above, the independent directors had a thorough understanding of the operation and development of these companies.

In 2010, the details of the attendance of independent directors at Board meetings, specialised committee meetings and their participation in voting by correspondence at Board meetings and specialised committee meetings are as follows:

Name of independent directors	Number of Board meetings held during the year	Attendance in person (times)	Attendance by proxy (times)	Absence (times)	Number of resolutions voted by correspondence including resolutions considered by specialised committees	Number of specialised committee meetings needed to be attended (times)	Number of specialised committee meetings attended (times)	Number of general meetings attended (times)
David Li Ka Fai	5	5	0	0	15	5	5	2
Judy Tsui Lam Sin Lai	5	2	3	0	8	0	0	1
Qi Daqing	5	4	1	0	15	8	8	0
Zhang Liping	2	2	0	0	4	1	1	1

## 4. The Establishment and Implementation of Appraisal, Incentive and Reward Mechanisms for Senior Management

The Company implemented a balanced scorecard as its major organisation performance management system. In accordance with the concept of a balanced scorecard, senior management’s performance is evaluated in accordance with the achievement of annual business objectives based on the Company’s medium to long term development strategic goals, and such business objectives include the operating results of the period under review and sustainability of the Company. The review covers different categories including the Company’s financial position, customers, internal procedure, staff training and development. The Company

has established objective benchmarks to measure the performance in each of the categories. The statistics on staff and customers' satisfaction levels were obtained from survey conducted by an independent third party.

The remuneration and nomination committee under the Board is responsible for studying and supervising the establishment and implementation of the appraisal, incentive and reward systems for senior management. Performance of the president was appraised by the Board.

The remunerations of senior management staff are determined in accordance with the Company's operating results of the year under review, the accomplishment of overall management indicators, their appraisal report, and comparison with the industry salary level. In each management year, performance review of senior management is conducted through the Company's work report meeting. The major factors to be considered in reviewing the senior management of the Company's headquarters include the Company's overall performance, the value of the management staff's role in the Company and their performance with reference to the duties stipulated under their respective positions. With regard to those in charge of front-line companies, the review is based on the performance of those front-line companies to which they are held accountable, the value of their roles and their performance with reference to the duties stipulated under their respective positions.

In 2010, in order to realize shareholder orientation, enhance the consistency between business decisions and shareholders' interests and continue to achieve outstanding operating results, the Company made adjustment to the performance appraisal system, by raising the performance benchmarks such as the rate of return on net assets and net profit growth rate. In addition, Economic Profit was adopted as a performance indicator for granting bonus for outstanding performance. The Company also adjusted the overall remuneration scheme to reduce short-term incentives and adopt long-term incentives plan, building up a balanced remuneration scheme structure comprised of fixed salaries, short-term and long-term incentives.

## **VII. Summary of Shareholders' Meetings**

### **1. The 2009 (22nd) Annual General Meeting**

The notice of 2009 Annual General Meeting ("AGM") was published in China Securities Journal, Securities Times, Shanghai Securities News and irasia.com, Hong Kong, on 2 March 2010. The last day for verifying the qualification of shareholders was 12 March 2010.

The AGM was held at 9:30 am on 23 March 2010 at Vanke Centre, No 33 Huanmei Road, Dameisha, Yantian District, Shenzhen. A total of 260 shareholders (proxies) attended the meeting, holding 2,527,231,755 shares, representing 22.98 per cent of the Company's total number of shares with voting rights. There were 79 shareholders (proxies) of A shares, holding 2,083,519,803 shares, representing 21.52 per cent of the Company's total number of A shares with voting rights. There were 181 shareholders (proxies) of B shares, holding 443,711,952 shares, representing 33.74 per cent of the Company's total number of B shares with voting rights.

The AGM considered and approved (1) the Directors' Report for the year 2009; (2) Report of the Supervisory Committee for 2009, (3) the Annual Report and audited financial report for the year 2009; (4) the resolution regarding the proposal on profit appropriation and dividend distribution for the year 2009; (5) the resolution regarding the appointment of auditors for the year 2010; (6) the resolution regarding the special remarks on the use of proceeds from previous fund-raising exercises; (7) the resolution regarding the amendment of the Company's Articles of Association and the election of Mr Ding Fuyuan and Mr Wu Ding as members of the Supervisory Committee. The execution of the duties of the independent directors and the Company's involvement in the resettlement and reconstruction works in the affected area following the Sichuan earthquake were also reported at the AGM.

The announcement of the resolutions of the AGM was published in China Securities Journal, Securities Times, Shanghai Securities News and irasia.com, Hong Kong, on 24 March 2010.

### **2. The First Extraordinary General Meeting of 2010**

The notice of the First Extraordinary General Meeting of 2010 ("EGM") was published in China Securities Journal, Securities Times, Shanghai Securities News and irasia.com, Hong Kong, on 23 July 2010. The last day for verifying the qualification of shareholders was 2 August 2010.

The on-site meeting of the EGM was held at 10:00 am on 10 August 2010 at Vanke Centre, No 33 Huanmei Road, Dameisha, Yantian District, Shenzhen. A total of 260 shareholders (proxies) attended the meeting, holding 3,199,124,497 shares, representing 29.10 per cent of the Company's total number of shares with voting rights. There were 55 shareholders (proxies) of A shares, holding 2,593,388,948 shares, representing 26.79 per cent of the Company's total number of A shares with voting rights. There were 205 shareholders (proxies) of B shares, holding 605,735,549 shares, representing 46.07 per cent of the Company's total number of B shares with voting rights.

The EGM elected Mr Qiao Shibo as director and Mr Zhang Liping as independent director for a term that ends upon the expiry of the term of the 15th session of the Board.

The announcement of the resolutions of the EGM was published in China Securities Journal, Securities Times, Shanghai Securities News and irasia.com, Hong Kong, on 11 August 2010.

## **VIII. Directors' Report**

### **1. Management Discussion and Analysis**

#### **Changes in market environment and management's opinion**

During the year under review, the sales area and sales amount of national commodity housing increased by 10.1% and 18.3% respectively. Compared with 2009, the growth rates had slowed down significantly. Affected by changes in policy and market situation, trading of commodity housing had been relatively volatile for the full year. At the beginning of 2010, the housing markets in various areas continued the robust momentum in 2009; since the second quarter, the government had successively promulgated a series of measures to regulate the housing market, leading to a sharp slowdown in transaction volume; but with the launch of properties concentrating in August and September, the transaction volume in various markets began to recover. Nevertheless, the growth rate was still lower than the growth rate in supply during the same period. Owing to the above-mentioned factors, the four quarterly sales area of commodity housing of 2010 rose year-on-year by 35.8%, 5.2%, -1.9% and 16.6% respectively.

Geographically speaking, the eastern region was particularly susceptible to the market fluctuations, with a 4.1% growth rate in sales area for the full year which was lower than the average level in the PRC. While the impact on the central and western regions of the PRC was smaller, the sales area of central and western regions recorded a growth rate of 19.9% and 13.5% respectively. The sales area realized in major cities for the full year in general had shrunk. In particular, the transaction volume in those cities with relatively large increase in price had a greater rate of decline. Compared with 2009, the major cities saw a drop in their share of the domestic market.

During the year under review, with the combined effect of new housing supply and slowdown in sales, the decline in home inventory that had started since 2009 gradually came to an end. After June, the transaction volume of housing to approved pre-sales area ratio in the cities where the Company had major operations remained at less than 1. This showed a cyclical phenomenon of oversupply had appeared in these cities. It is expected that the saleable inventory of commodity housing will continue to increase for some time in the future and market competition will be further intensified.

During the year under review, the investment amount of property development and new construction area across the country maintained a relatively fast growth. The national investment amount of property development for the full year increased by 33.2%, and new construction area increased by 40.7%, which was the fastest growth rate over the past decade. With this new construction area gradually translating into market sales in 2011, there will be sufficient new housing supply in the future. This in turn will result in a supply-demand balance that is favourable to property buyers. However, it should be noted that although the accumulated growth rate was relatively high, there were signs of a slowdown in new construction of housing in the PRC at the end of the year due to a slowdown in transaction. As the market becomes more volatile, corporate investment capability may reduce, while the pace of new construction will slow down. All these will affect housing supply in the year after.

For the land market, land sales area in major cities in 2010 increased when compared with that of the previous year. In general, developers displayed more prudent land purchase behaviour than in the second half of 2009, while the premium rate of land transactions also dropped significantly. But it should also be noted

that the land reserve price in some cities still remained high, while the land transaction price and premium rate rose in the second half of 2010 from that in the first half. As such, enterprises became more active in acquiring land. However, in view of the market recession and tightening of credit, it is expected that the land market overheat will not sustain. Enterprises will be more rational with land purchase.

During the year under review, a series of measures to regulate the property market were promulgated. In mid April, the State Council promulgated the “Notice regarding determination to curb rapidly rising housing price in certain cities”, which proposed a series of measures including differential housing credit policy, increase of effective housing supply and stepping up the construction of affordable housing. At the end of September, the State further introduced a number of measures including: all commercial banks temporarily suspended loans to families purchasing their third house; raise the down payment for first-time buyers of commodity housing to 30% or above, and adjust deed tax and preferential tax policies for personal income tax, etc. Subsequently, major cities promulgated measures to limit the total number of properties bought by a single family.

The introduction of the policy had significant impact on the market. During the year under review, the leverage ratio – property buyers who made use of bank credit to leverage their mortgage, significantly decreased. From the Company’s point of view, bank loans accounted for 54% of the amount paid to purchase home between January and April; it dropped to 46% from May to September, and further decreased to 41% from October to December, which was a record low in recent years. In view of the sales composition, the proportion of small to medium sized ordinary commodity housing had increased, reflecting a gradual decline in investment-driven demand.

In January, 2011, in order to strengthen and expand the impact of the previous rounds of measures, the State Council introduced another eight new measures, including further tightening the existing differential housing credit policy by raising the down payment of buyers of second homes to not less than 60%; expanding the scope for imposing limits on the number of homes bought by a single family, and establishing an accountability mechanism to ensure the affordability of housing and to stabilize housing prices. Already Shanghai and Chongqing have started to experiment with a property tax.

The promulgation of the aforementioned measures once again reflects that the State’s determination to regulate and control the property market and prevent housing prices from growing excessively. The main focus of the measures is to curb speculative investment in housing, whereas those ordinary commodity housing targeted at first-time home buyers and end-users are in line with the government policy. Close to 90% of the Company’s product portfolio is made up of ordinary residential properties targeted at end-users. As such, the impact of change in market environment on the Company will be relatively small.

During the year under review, the government intensifies effort to ensure affordability of housing. According to statistics, construction of 5.9 million units of affordable housing and housing redeveloped from shanties in the PRC commenced in 2010; construction of about 3.7 million units was completed, which was a record high for construction of affordable housing. Pursuant to the relevant planning policy, construction of affordable housing in the PRC will be stepped up in the next few years, and affordable housing will account for a bigger share in the total housing supply. In the long run, the implementation of affordable housing construction will have a positive effect on the increase in housing supply, improvement in the living conditions of low to middle income families, and stability of housing prices and the property market. Realizing the goal of affordable housing construction will facilitate a more stable operating environment in the commodity housing market and prevent volatility in the market, thereby providing conditions conducive to steady and sustainable growth for the industry.

During the year under review, in response to the changes in macro-economic environment, the State’s priority shifted from ensuring economic growth to control anticipated inflation, and the monetary policy was adjusted from moderately relax to prudent. In the fourth quarter of 2010, the People’s Bank of China (central bank) raised interest rate twice, and again raised the benchmark rates of RMB deposits and loans of financial institutions in February 2011. During the year under review, the regulatory body required banks to strengthen risk management of home mortgage, and imposed a stricter control over real estate trust and finance business. According to statistics, among the source of funds of real estate developers, domestic loans accounted for 17.3% in 2010, a drop from 19.8% in 2009. In addition, a number of cities introduced policies

to regulate the proceeds from the pre-sale of commodity housing, restricting the use of proceeds from pre-sales. Capital crunch will prevail in the industry for some time in the future, which implies that enterprises should strengthen their capital management and attach more importance to financial safety. Enterprises should also enhance the utilization efficiency of existing resources and strengthen organic growth ability. China Vanke has always insisted on a prudent development strategy and a healthy financial position, which enable the Company to ensure safe operation under different market situations. Moreover, with mature attitude of cooperation, professional background as well as regulated and transparent corporate governance, China Vanke has accumulated extensive experience in seeking collaborative resources. These have created advantages for the Company as well as enable it to make use of all various possible social resources to speed up its development through flexible cooperation arrangements, despite capital crunch looming over the property market.

### **Operating results and analysis**

Faced with a complicated and volatile business environment, the Company persevered with its mainstream market orientation, quick turnover and geographical diversification strategy during the year under review. As a result of its proactive response to market changes, the Company achieved satisfactory results.

The Company had for the first time exceeded RMB100 billion in sales. Sales area and sales revenue for the full year amounted to 8,977,000 sq m and RMB108.16 billion, representing increases of 35.3% and 70.5% respectively from those of 2009. The Company accounted for 2.1% of the domestic commodity housing market in terms of sales revenue. In Shenzhen, Dongguan, Foshan, Tianjin, Shenyang, Qingdao, Wuhan, etc, the Company ranked first in terms of market share, and ranked second in Zhuhai, Fuzhou, Shanghai, Suzhou, Changchun, etc. The Company thus further solidified its dominance in the industry. During the year under review, the Company saw its sales in Beijing and Shenzhen exceed RMB10 billion for the first time, while the number of cities with sales surpassing RMB5 billion jumped from 3 in 2009 to 8 (Beijing, Shenzhen, Shanghai, Shenyang, Tianjin, Sunan, Guangzhou, Hangzhou).

The Company's revenue and net profit for 2010 amounted to RMB47.76 billion and RMB7.28 billion respectively, representing year-on-year increases of 3.7% and 36.7% respectively. The Company realised booked area of 4,520,506 sq m and booked revenue of RMB47.11 billion, representing a decrease of 25.3% and an increase of 3.5% from those of 2009 respectively. Owing to the time lag in revenue recognition in the property industry, and rise in the proportion of furnished units in recent years as well as the prolonged period from completion of sales to satisfying the conditions for recognition, the growth in booked revenue was smaller than that of sales revenue.

As at the end of 2010, the Company had an area of 7,610,000 sq m sold but incomplete and not yet booked, with an aggregate contract amount of approximately RMB91.9 billion. Included in the consolidated statements was an area of 6,800,000 sq m sold but not yet booked, with a contract amount of RMB82.0 billion. As most of the aforementioned projects will be booked in 2011, they will provide a strong support for the Group to achieve satisfactory profitability in 2011.

During the year under review, the Company continued to focus on the mainstream market as reflected by its product mix. The Company's main products were small to medium sized ordinary commodity housing units targeted at end-users. The proportion of units smaller than 144 sq m further increased from 86% in 2009 to 88%.

According to the latest market and sales situation, the Company made an assessment during the year under review of the projects for which provisions for diminution in value had been made. Based on the assessment results, the Company reversed the provisions for diminution in value of RMB616,667,200 for Golden Rongjun in Fuzhou, Paradiso Project in Nanjing, Haiyue Huicheng Project in Chengdu and King Metropolis in Chengdu. Such reversal affected the net profit attributable to the Company by RMB462,500,400.

During the year, the booked gross margin and booked net margin of the Company's property business were 32.6% and 16.5% respectively, representing increases of 6.56 percentage points and 3.49 percentage points from those of 2009 respectively. Considering the time lag in revenue recognition in the property industry, increase in net margin reflected the rebound in profit margin of projects driven by market recovery since

2009, the results of the Company's effort in strengthening its cost management and expenses control as well as the impact of the reversal of provision of diminution in value of inventory. Against the backdrop of rapid expansion in sales, the Company, during the year under review, exercised strict control over expenses. Administrative expenses as a percentage of sales revenue declined from 2.3% in 2009 to 1.7%, while distribution costs as a percentage of sales revenue dropped from 2.4% in 2009 to 1.9%.

During the year under review, the Company continued to adhere to the operating strategy of rapid development and quick turnover. Through a series of measures including the promotion of product standardization, optimization of development process and commending those projects with quick development, the Company further lifted its operational efficiency and shortened the average time between project acquisition and commencement of construction. Since the pace of project development significantly quickened, a large proportion of projects newly acquired by the Company in 2010 commenced construction in the same year. As a result, the actual new construction area for the full year surpassed the area planned at the beginning of the year. The actual new construction area was 12,480,000 sq m, representing an increase of 46% from the area of 8,550,000 sq m planned at the beginning of the year. Affected by the Asian Games and World Expo, progress in construction of certain projects slowed down. Actual completed construction area amounted to 4,420,000 sq m, which was 12% lower than the 5,040,000 sq m planned at the beginning of the year.

The Company's quick turnover was met with timely replenishment of land bank for future development. During the year under review, the Company newly acquired 87 projects, with a site area attributable to China Vanke's equity holding of approximately 9,410,000 sq m (planned GFA attributable to China Vanke's equity holding of approximately 22,150,000 sq m). Although there were a relatively large number of newly acquired projects, the Company had not changed its principle of prudent land acquisition. The acquisition prices were within a reasonable range. As at the end of 2010, the GFA of the projects under planning attributable to China Vanke's equity holding amounted to 36,400,000 sq m, which could basically meet its development needs in the coming two to three years.

In 2010, the Company tapped 12 new markets, namely Kunming, Guiyang, Qingyuan, Wenzhou, Yangzhou, Nantong, Jiaying, Tangshan, Langfan, Jilin, Fushun and Urumqi. As at the end of 2010, the Company had entered markets in 46 cities, showing an extensive market reach. Its sophisticated geographical diversification strategy had not only provided the Company with enormous room for development, but had also helped the Company to avert the risk of certain overheated markets.

As at the end of the year under review, the Company's inventories included RMB5.29 billion of completed properties (properties ready for sale), accounting for 3.96%; RMB78.98 billion of properties under development (including properties sold but not yet booked), accounting for 59.08%; RMB49.31 billion of properties held for development (corresponding to the Company's projects under planning), accounting for 36.89%

The Company continued to maintain a healthy financial position. Owing to satisfactory sales, the cash and cash equivalents held by the Company as at the end of the year under review surged significantly from that at the beginning of the year to RMB37.82 billion, much higher than the sum of short-term borrowings and long-term borrowings due within one year of RMB16.78 billion. The Company's capital strength was therefore further enhanced. Affected by substantial increase in advance receipts, the Company's assets/liabilities ratio rose slightly from that of the start of the year to 74.73%. However, advance receipts do not actually constitute pressure on debt repayment ability. Instead, they will be recognized as the Company's revenue upon booking of projects. Excluding this factor, the Company's other total liabilities as a percentage of total assets was merely 40.3%; among these other liabilities, interest-bearing borrowings as a percentage of total assets was merely 21.9%. Moreover, the proportion of short-term borrowings among interest-bearing borrowings was relatively low, accounting for only 35.4%. As at the end of the year under review, the Company's net gearing ratio was 17.5%, down 2.2 percentage points from 19.7% at the end of 2009.

## **Review on the Company's management in 2010**

In 2010, the Company adopted the development strategy of “promoting balanced improvement, enhancing quality growth” and focused on enhancement of operational efficiency and value creation ability. Through reforming and optimising its major business processes, the Company pushed ahead with the shift of its growth model towards “quality and efficiency”. During the year, the Company consolidated and improved its professionalism, enriched and enhanced management tools and platforms, thereby laying a solid foundation for sustainable growth in future.

During the year under review, in an attempt to exploit economies of scale and facilitate the shift to refined and intensive management approach, the Company stepped up product standardisation. Based on the three-year standardisation plan formulated in 2009, the Company improved its product standardisation system in all aspects, including product inventory, style, furnished units, landscape and functions, and established architecture standardisation system relying on modularisation. In addition, the Company also attempted to consolidate its product lines to provide high price/performance ratio products that are in line with its development. Capitalising on product standardisation, the Company issued standard construction schedule of 2010, which further enhanced construction efficiency. As a result, the average period from land acquisition to sale had been significantly reduced.

The Company made remarkable achievement in furnished units standardisation, being an integral part of the standardisation system. During the year under review, the Company announced four-grade, namely A, B, C and D, furnished unit system, with 14 product types. The Company also established the corresponding processes for research, implementation, and upgrade, laying a foundation for extensive implementation of furnished units and centralised procurement. In 2010, furnished units accounted for 93% of new construction, indicating wide recognition of furnished units by customers. Of the above-mentioned furnished units, 60% adopted standardised product technology.

The scope and scale of centralised procurement were further expanded. In 2010, the Company increased the proportion of centralised purchase to 47%, representing an 8% increase from 2009. The number of categories of products bought through group purchase increased to 30. Following the nation-wide tender offer for materials for C-grade furnished units, the Company conducted the first centralised procurement for standardised A-grade and B-grade furnished units, further expanding the implementation scope of standardised products. Through the nation-wide tender offer, the Company simplified purchase process and reduced purchase costs; promoted resources integration in the supply chain and improved the quality of materials purchased. As a result, the competitiveness of the Company’s furnished units enhanced.

During the year under review, the Company intensified the improvement of the surveying system, enhanced the look and quality of products, implemented visual management of production safety, and organised a special event – the Month of Production Safety Promotion. The Company achieved satisfactory results in the exploration of using the new approach of refined management to enhance construction efficiency. As a result, the number of quality problems identified by property owners after the handover of units was significantly reduced. According to the customer satisfaction survey conducted by an independent third party, the Company saw remarkable improvement in satisfaction level for building quality and the quality satisfaction of prospective owners compared with those of 2009.

During the year, the Company focused on maintenance and property handover to enhance customer satisfaction, and actively commenced a series of customer caring campaigns. As a result of the Company’s dedicated efforts, customer loyalty reached record high in 2010.

In 2010, the Company received seven state-level awards and 58 provincial-level awards in recognition of its product quality. Three projects of the Company, namely The Dream Town in Shenzhen (Phase IV), A Glamorous City in Qingdao (Phase I and Zone I of Phase II), and Holiday Town in Beijing (Phases I, II, III)



received the “Golden Prize of Excellent Residential Community of Zhan Tianyou Award”. Hillside Garden in Guangzhou won the title of “Excellent Environment for Residential Community of Zhan Tianyou Award”. Dream Town in Shenyang (Phase II) won the title of “Excellent Technology for Residential Community of Zhan Tianyou Award”. The Dream Town in Shenzhen (Phase IV) and Everest Town in Guangzhou (Phases I and II) received “Guangsha Award”.

The Company’s achievement of RMB100 billion sales called for reforms in the construction management model to meet future development demand. During the year under review, the Company has initiated a construction system reform, establishing a communication platform with large-scale construction companies, and began to experiment extensive strategic cooperation with contractors and comprehensive contracting management in certain cities.

In 2010, the Company pushed ahead with the improvement of the cost benchmarking system, by setting up seven compulsory economic benchmarks, initiating a cost alignment mechanism for furnished units, and conducted studies and research of cost control by outstanding peers. During the year under review, the Company issued “Measures for Controlling Design Fees of the Group”. Through experience sharing, awareness of cost control had been promoted across the Company.

During the year, the Company optimised organization structure of its headquarters, fine-tuned the promotion scheme of managers, strengthened internal control, and improved the remuneration scheme, with an aim to enhance shareholders’ value. To cope with the needs for business development, the Company launched Talent Recruitment Scheme to attract and recruit excellent talents. To promote cultural inheritance of outstanding enterprises and reduce risks of work ethics, the Company stepped up professional development and extended the scope of staff training. In 2010, staff dedication increased drastically, higher than the average level attained by the Best Employers in China by 9 percentage points, which enabled the Company to remain as the High Performance/Best Employer.

In an attempt to attract and retain talents, the Company, during the year under review, proposed A-share Stock Options Incentive Scheme for Year 2010. The proposed scheme, with a more demanding performance targets than the 2006-2008 Restricted Stock Incentive Plan, adopts return on equity and net profit growth rate as essential performance targets and focuses on the organic growth of the Company. Should the proposed scheme be implemented, it will improve the accountability and commitment of the management and key personnel in helping the Company to achieve sustainable and sound development. Such will ensure the Company’s realisation of its development objectives, and help strengthen investors’ confidence in the growth prospects of the Company. Upon the publication of the announcement, the proposed scheme gained wide market recognition.

China Vanke steadily pushed ahead with prefabrication. For the year under review, the Company achieved prefabricated construction area of 1,060,000 sq m, which far surpassed the pre-established target. The favourable policies on prefabrication promulgated in certain cities during the year helped facilitate the Company’s research progress on prefabrication. Prefabrication can be applied to affordable housing construction, given the extensive construction scale, tight construction schedule, standardised building structure and high requirement for energy saving. The Company has also begun to actively experiment the application of prefabrication technology in affordable housing construction. So far, prefabrication technology has been applied to two affordable housing projects in Shenzhen and Nanjing.

The Company’s research capability in construction had gained recognition. During the year, in order to conduct research in the relevant fields, the Company set up a post-doctoral workstation and applied for qualification of a national engineering centre for its residential facilities experiment tower, and established the research institute of water environment and earthquake-resistant technology.

In response to customer demand, the Company transformed the intangible green concept into tangible green products. During the year, the Company completed 750,000 sq m of residential housing qualified for the Three Star certification, which represented 54% of the total area with this qualification in the PRC. This marked the Company's first mover advantage in green building. In 2010, China Vanke Center received the certificate of the Leadership in Energy and Environmental Design (LEED-NC) from the U.S. Green Building Council in recognition of its green construction, excellent performance in energy saving and waste reduction. It is the first office building in China to obtain LEED-NC Platinum certificate. China Vanke was named "Best Low-carbon Corporations of China" in the selection of "2010 Best Low-carbon Corporations of China", jointly organized by The Economic Observer Newspaper and The Economic Observer Academy, for its optimised allocation of energy resources, development and application of green technology and application of environmental friendly materials.

In 2010, as the sole real estate corporation with an independent pavilion in the Shanghai Expo 2010, China Vanke had significantly enhanced its brand image. During the exhibition, Vanke Pavilion received more than 1,210,000 visitors. Under the backdrop of low-carbon economy, the green concept delivered by Vanke Pavilion drew enormous attention and won great recognition and accolade from the society. Such had considerably enhanced the reputation of the Company. Vanke Pavilion has become the Company's foothold in improving brand identity and green corporation image.

During the year under review, the brand image of the Company gained wide recognition. In the 2010 Report of Brand Value Appraisal in Real Estate Industry of China, China Vanke was named Leading Brand in Real Estate Industry of China for 2010 with its RMB15.577 billion brand value. In the list of "2010 Most Praised PRC Enterprises" announced by Fortune China, China Vanke was named on the Most Praised PRC Enterprises All-star List, and ranked first in the real estate industry category. In the Best Public Image Corporation selection organized by Enterprise Research Institute of the Development Research Center of the State Council and other organisations, China Vanke was named the Best Social Responsibility Corporation. According to a customer survey conducted by an independent third party, the "China Vanke" brand is the No. 1 reason for them to purchase the Company's products.

In 2010, at the presentation of the results of the brand value study of property companies in China organised by "Top 10 China Real Estate Research Group", the brand value of China Vanke ranks first among "2010 China Top Brands of Property Services Companies". According to a customer survey conducted by an independent third party, property management is the No. 1 reason for about 75% customers to recommend China Vanke's products.

China Vanke was named again in 2010, after 2009, as the World's No. 1 Residential Property Developer among the Property Developer, Agency, Financial Services sectors by Euromoney. The Company ranked 45th in Fortune China's list of "Top 500 PRC Listed Companies" and ranked first in the real estate industry category.

During the year, the Company continued to enhance investor relations, which earned it greater recognition. The Company was named again among the Top 10 Companies in Investor Relations by Nanjing University and The Research Center of Investor Relations Management of China Listed Companies. In the selection of "The Golden Bull Awards for the Top 100 China Listed Companies" organised by China Securities Journal, the Company ranked fourth, and first in the real estate industry category. Also, the Company ranked first among My Personal Top 10 Golden Bull Listed Companies. In the selection of Top 100 Most Valuable Listed Companies on the Main Board in China organised by Securities Times, China Vanke was named among the Top 100 Most Valuable Listed Companies in China, the Top 10 Management Team of Listed Companies on the Main Board in China, and The Best Corporate Social Responsibility Companies Listed in China. In addition, the Company was named the Most Sustainable Listed Company in China's Securities Market in the Past 20 Years, Investors' Most Favourite Listed Company, while the Company's secretary to

the Board was awarded China's Best Value Creation IR Award in a selection organised by the Centre for Research on the Market Value Management in Chinese Listed Companies, China Securities Journal, Shanghai Securities News and Securities Times.

In 2010, the Company also received many accolades for its corporate governance. In 2010, the Company received The Best Board of Directors Award at the Sixth Session of the Gold Roundtable Awards organised by the Directors & Boards publication. The Company was awarded the Best Corporate Governance at the Third Session of the Best Board of Directors of Listed Companies in China organised by Moneyweek, received 2010 Best Corporate Governance Practices of Listed Companies in China Award and 2010 Best Board of Directors of Listed Companies Award from the Research Center of Corporate Governance at Nankai University.

### **Future development prospects in 2011**

2011 is the first year after China Vanke has achieved an annual sales revenue of over RMB100 billion. At this level, the Company will definitely be faced with new challenges. Accordingly, the Company is committed to build a management and organisational platform meeting future development needs, and explore the way to transformation into a green enterprise, research and development enterprise and servicing company. All these will sharpen the Company's competitive edges to cope with the future.

In response to possible changes in the operating environment, the Company will adhere to customer and market orientation, and insist on the quick turnover strategy of "not hoarding land; not stalling home sale". As a sales guideline, the subscription rate of a project in its launch month has been set to be above 60%. Through various sales promotions, the Company will be able to speed up its cash inflow. Such can ensure the Company's safe operation and achieving operating results above industry average.

On the front of product positioning, the Company will focus on mainstream products, including housing units that target end-users and ordinary residential properties with reasonable prices. By following the sales trend in the market and adjusting its product design, the Company strives to ensure what it supplies is what the market really needs.

The project management area of the Company will reach 30 million sq m in 2011. The rapid expansion in the scale of construction will bring new challenges to the Company with respect to product quality and construction safety. For product quality, the Company will continuously adopt the principle of Quality Goes First, and strictly implement quality and safety management scheme. On top of significant improvement in quality of substance, the Company will further enhance the look and feel of its products. In respect of project management, the Company will have no tolerance for avoidable accidents and develop a production safety accountability scheme. The Company will step up extensive strategic cooperation with contractors. It will forge strategic cooperation with large-scale construction companies and push ahead with comprehensive contracting management to increase project quality.

In order to break through the development bottleneck, the Company will improve the standardisation system for furnished units and upgrade modular inventory. It will also promote application of standardisation across the board to achieve economies of scale.

The Company will continue to push ahead with prefabrication and fine-tune the classification of prefabricated products. In 2011, the planned prefabricated project construction area is expected to be 2,000,000 sq m, while the construction of the second construction technology research base will begin in Beijing. The Company will actively promote the development and application of energy-saving technology so as to enhance its transformation towards a green corporation. Among the newly commenced projects in 2011, 1,800,000 sq m will be built according to green construction standards.

For project development, the Company will continue to adopt prudent investment strategy, and choose the right timing to acquire projects for future development. The Company will intensify cooperation and expand the scope of possible partners, and select appropriate approaches for collaborating with various resource owners. With respect to geographic coverage, the Company will step up its geographical diversification efforts, by seeking the right moment to penetrate new cities, while leveraging its presence at existing markets.

Against the backdrop of tightening credit, the Company will strengthen its existing cooperation with banks as well as further expand its financing channels. It will pay attention to various new financial products and, through extensive cooperation, implement resource integration and complement its strengths with those of its partners. The Company will also enhance the alignment between financing and project operation, optimise capital management and leverage the progress of investment to increase capital utilisation.

Aiming to enhance organisation efficiency, the Company will timely optimise its organisational structure and foster a more receptive corporate culture, by creating a work environment that speaks of simplicity, result-orientation, openness and cooperation. The Company will also adopt “performance, ability and behaviours” as well as capability for meeting future growth as the criteria for selecting cadre members. It will continue to recruit talent and improve the overall quality of existing workforce through new training scheme.

In response to urban development and market demand, the Company will step up business innovation to increase social and commercial value. It will constantly enhance understanding of business other than residential property and explore new profit growth drivers. To achieve these, the Company has to acquire experience in investment invitation and design for integrated project to prepare for future operation needs. As to the emerging market segment for elderly apartments, the Company will conduct in-depth study on users demand to develop products with competitiveness.

On the front of property services, the Company will step up improvement in the quality of property management services and fully leverage its long-held competitive edge in property services, with the aim to complement and enhance its property operation business. Simultaneously, the Company will strengthen its property management business through further expanding and diversifying the scope of property services. By doing so, the Company aims at being able to prepare itself for venturing the new businesses of commercial complex management and offering community support services for the elderly.

## **2. Operation of the Company**

### **(1) The scope and operations of the Company’s core businesses**

#### **A. By sector**

The Company specialises in property development with commodity housing as its major products. In 2010, the Company’s sales area and sales revenue were 8,977,000 sq m and RMB108.16 billion respectively, representing increases of 35.3% and 70.5% respectively when compared with those of 2009.

In 2010, the total sales of commodity housing in the PRC amounted to RMB5,250 billion. Based on the aforesaid amount, the Company accounted for 2.1% of the domestic market in terms of sales revenue, up by 0.62 percentage point from 2009.

During the year under review, the booked area, booked revenue and booked cost of the Company’s property projects were 4,520,506 sq m, RMB47.11 billion and RMB29.08 billion respectively, representing a decrease of 25.3% , an increase 3.5% and a decrease of 13.7% respectively when compared with those of the previous year. The operating profit margin of the property business for the year was approximately 32.59%, up by 6.56 percentage points from that of the previous year.

Unit RMB'000

Sector	Revenue		Cost of sales		Operating profit margin	
	Amount	Change	Amount	Change	Value	Change
Property sales	47,115,182.00	3.45%	29,084,588.76	-13.67%	32.59%	Up by 6.56 percentage point
Property management and others	648,368.43	28.48%	443,932.61	21.33%	31.53%	Up by 4.04 percentage point
<b>Total</b>	<b>47,763,550.43</b>	<b>3.73%</b>	<b>29,528,521.37</b>	<b>-13.29%</b>	<b>32.58%</b>	<b>Up by 6.54 percentage point</b>

Note 1: Core business tax and surcharges had been deducted from the operating profit margin

## B. By investment region

The Company adhered to its urban-oriented strategy and actively leveraged the edge of its geographical diversification strategy. In 2010, core cities such as Shenzhen, Guangzhou, Shanghai, Beijing and Tianjin accounted for 49.7% and 47.9% of the Company's total revenue and net profit respectively.

	Revenue from core businesses (RMB'000)	Percentage	Net profit (RMB'000)	Percentage	Booked area (sq m)	Percentage
<b>Pearl River Delta focused Shenzhen Region</b>	15,402,941.28	32.69%	2,915,947.18	37.55%	1,243,769.68	27.52%
<b>Yangtze River Delta focused Shanghai Region</b>	18,123,976.18	38.47%	2,870,380.13	36.96%	1,658,649.64	36.69%
<b>Bohai-rim focused Beijing Region</b>	9,702,374.15	20.59%	1,322,837.88	17.03%	1,045,186.19	23.12%
<b>Chengdu Region comprised of core cities of Central and Western Region</b>	3,885,890.39	8.25%	656,576.12	8.46%	572,900.37	12.67%
<b>Total</b>	<b>47,115,182.00</b>	<b>100.00%</b>	<b>7,765,741.31</b>	<b>100.00%</b>	<b>4,520,505.88</b>	<b>100.00%</b>

## (2) Operating results of the major wholly-owned subsidiaries and non wholly-owned subsidiaries of the Company

(Unit: '000 RMB)

Name of company	Equity interest	Revenue in 2010	Net profit in 2010	Total assets at the end of 2010	Major projects developed in 2010
Shenzhen Vanke Real Estate Company Limited	100%	4,667,817.24	951,656.08	24,633,256.31	King Metropolis, The Village
Guangzhou Vanke Real Estate Company Limited	100%	4,243,084.53	699,630.67	10,580,621.23	Glorious Life, The Paradiso
Dongguan Vanke Real Estate Company Limited	100%	2,701,717.64	599,382.27	8,072,085.31	The Paradiso, Hongxinuoya
Foshan Vanke Property Company Limited	100%	1,202,608.76	295,420.56	8,056,892.75	Jinyu Huating (金域华庭), Xincheng Wanpan (新城湾畔)
Shanghai Vanke Investment Management Company Limited	100%	6,981,566.80	1,251,443.75	22,660,209.24	Golden City, Qijiefang
Zhejiang Vanke Nandu Real Estate Company Limited	100%	2,158,456.39	474,971.92	11,938,209.59	Liangzhu New Town, Spring Bay
Beijing Vanke Company Limited	100%	2,025,671.18	310,013.00	18,245,907.44	No. 5 Park Front Boutique Apartment, Hongshi Jiayuan
Tianjin Vanke Real Estate Company Limited	100%	2,258,789.13	488,319.01	9,603,984.80	Waterfront, Holiday Dew Garden
Shenyang Vanke Real Estate Development Company Limited	100%	1,176,196.14	97,103.15	10,894,212.55	The Paradiso, Rancho Santa Fe
Chengdu Vanke Real Estate Company Limited	100%	1,281,829.67	378,757.36	8,978,115.29	A Glamorous City, Haiyue Huicheng

Note: Subsidiaries of the above companies are included. Profit and loss of minority interests are included in the net profit.

### (3) Implementation of the business plan

The Company focused on mainstream customers – end-users, and actively promoted sales to achieve outstanding performance. In 2010, the Company's sales area and sales revenue amounted to 8,977,000 sq m and RMB108.16 billion respectively, representing increases of 35.3% and 70.5%.

The Company's planned area of newly commenced construction and completed area at the beginning of the year were 8,550,000 sq m and 5,040,000 sq m respectively. In light of cooling of the land market in the first half of the year, the Company grasped the opportunity and acquired a relatively large number of newly added projects. The Company insisted on rapid development and quick turnover, and most of the newly added projects commenced construction in the same year of acquisition. As such, the actual area of newly commenced construction in 2010 was 12,480,000 sq m, representing an increase of nearly 46% from the planned area at the beginning of the year. Affected by the Asian Games and World Expo, progress in construction of certain projects slowed down. Actual completed area amounted to 4,420,000 sq m, which was slightly below the planned area at the beginning of the year.

### Development of the Company's major projects in 2010

Unit: sq m

Project	Location	Equity interest	Site area	Planned GFA	Area of construction work commenced in 2010	Area of construction work done in 2010	Accumulated area of construction work done as at the end of 2010
<b>Shenzhen Region</b>							
Yuyi Village Project, Shenzhen	Nanshan	80%	19,500	142,000	0	0	0
Nanyuan New Village Project, Shenzhen	Nanshan	80%	82,600	581,700	0	0	0
East Coast, Shenzhen	Yantian	100%	342,984	265,864	0	10,698	265,864
Vanke Centre, Shenzhen	Yantian	100%	61,730	80,201	0	26,000	26,000
Tianqin Bay, Shenzhen	Yantian	100%	253,990	24,785	7,551	3,227	5,890
Yantian Central Line Project	Yantian	100%	89,177	344,670	0	0	0
King Metropolis, Shenzhen	Baoan	100%	68,310	196,182	0	103,748	115,601
Golden Domain (金色领域) Project, Shenzhen	Baoan	100%	72,410	161,856	68,518	0	0
Ravine Village, Shenzhen	Baoan	60%	158,639	47,270	0	0	0
The Village, Shenzhen	Longgang	100%	472,011	646,930	70,868	72,070	408,445
Golden Hill (金色半山), Shenzhen	Longgang	100%	62,474	96,969	42,000	0	0
Jiuzhou Project, Shenzhen	Longgang	100%	236,330	513,012	0	0	0
Qianlin Shanju, Shenzhen	Longgang	100%	198,597	361,753	162,840	26,750	136,395
Vanke Hong (万科红), Shenzhen	Longgang	100%	31,337	150,370	0	0	0
Jinse Qinyuan (金色沁园) Project, Shenzhen	Longgang	90%	37,740	69,608	52,445	0	0
Shuijing (水径) Project, Buji, Shenzhen	Longgang	60%	165,003	449,360	0	0	0
Sandy Bay Project, Buji, Shenzhen	Longgang	65%	104,870	481,215	47,430	0	0
Eastern Metropolis, Shenzhen	Pingshan New District	100%	104,801	315,808	0	0	80,267
Water Cities, Shenzhen	Tangxia, Dongguan	51%	596,786	412,504	55,305	39,047	99,922
Dajia Island, Shenzhen	Huizhou	100%	364,450	234,975	0	0	0

Shuangyuewan, Huizhou	Huidong	67%	687,000	850,500	0	0	0
Jinyu Huating, Huizhou	Huicheng	100%	151,298	327,550	72,066	24,120	55,694
Glorious Life, Guangzhou	Baiyun	100%	22,297	120,850	120,850	120,850	120,850
Science City, Guangzhou	Luogang	100%	177,588	454,175	0	0	0
The Paradiso, Guangzhou	Baiyun	50%	144,657	433,584	157,233	133,034	274,219
Hillside Garden, Guangzhou	Baiyun	50%	94,745	133,746	0	32,688	133,746
Aureate City, Guangzhou	Panyu	100%	58,093	72,549	0	6,271	28,137
King Metropolis, Guangzhou	Liwan	100%	6,623	46,147	0	46,147	46,147
Tongfu West, Guangzhou	Haizhu	100%	9,929	85,279	0	0	0
Le Bonheur, Guangzhou	Liwan	100%	38,111	135,689	0	81,938	81,938
Jinshazhou B04 Project, Guangzhou	Baiyun	100%	17,207	30,973	30,973	0	0
Nansha Project, Guangzhou	Nansha	95%	134,760	269,520	269,520	0	0
Racho Santa Fe, Guangzhou	Huadu	49%	210,288	124,338	62,830	61,508	61,508
Dream Town, Qingyuan	Qingyuan	100%	689,326	1,356,279	345,330	0	0
29# Qingcheng, Qingyuan	Qingyuan	100%	79,164	312,820	0	0	0
Jinyu Songhu (金域松湖), Dongguan	Songshan Lake	51%	136,151	381,000	144,166	0	0
Humen Zitai (虎门紫台), Dongguan	Humen Town	100%	60,570	151,426	32,760	0	0
Chang'an Project, Dongguan	Chang'an Town	100%	75,653	249,654	0	0	0
Nancheng Headquarters, Dongguan	Nancheng	100%	4,771	42,937	0	0	0
Houjie Project, Dongguan	Houjie Town	100%	88,788	257,486	0	0	0
Dream Town, Changping, Dongguan	Changping	100%	635,971	442,460	87,900	43,925	176,913
Vanke Luhu, (万科麓湖) Dongguan	Dalingshan	100%	146,674	117,341	83,336	0	0
Hongxinuoya, Dongguan	Songshan Lake	100%	416,618	291,633	49,591	86,090	86,090
King Metropolis, Dongguan	Nancheng	51%	189,934	493,827	101,588	44,203	44,203
Feilishan (翡丽山), Dongguan	Nancheng	50%	249,534	374,302	106,648	0	0
The Paradiso, Dongguan,	Dalang	51%	91,780	183,560	0	63,876	129,880
The Paradiso, Foshan	Nanhai	55%	221,035	574,690	341,057	0	0
Binfen Siji (缤纷四季) Project, Foshan	Shunde	100%	38,986	134,891	134,891	0	0
Dengzhou Project, Foshan	Shunde	49%	284,036	710,092	142,738	0	0
Lunjiao Qinyuan (伦敦沁园) Project, Foshan	Shunde	100%	80,571	241,712	173,707	0	0
Nancun Project, Foshan	Chancheng	57%	114,429	564,667	0	0	0
Two projects in Chencun, Foshan	Shunde	100%	117,854	294,636	161,464	0	0
F04 Project, Foshan	Shunde	50%	30,382	75,954	0	0	0
Jinse Xigu Huayuan (金色溪谷花园), Foshan	Nanhai	100%	66,533	79,839	0	0	0
Xincheng Wanpan, Foshan	Shunde	100%	69,877	139,754	0	32,715	127,075
Rancho Santa Fe,	Shunde	100%	127,598	228,002	0	32,699	176,300

Foshan							
King Metropolis, Foshan	Nanhai	100%	110,001	240,170	0	0	215,518
The Dream Town, Foshan	Chancheng	100%	337,544	776,350	0	28,474	219,416
Jinyu Huating, Foshan	Nanhai	55%	75,916	184,607	41,678	34,563	78,988
City Views, Zhongshan	Southern District	100%	338,516	523,177	59,863	20,254	395,901
Spring Dew Mansion, Zhongshan	Eastern District	100%	76,387	175,133	175,133	0	0
Tanzhou Project, Zhongshan	Tanzhou Town	100%	32,103	127,742	127,742	0	0
Central District, Dongfeng Town, Zhongshan	Dongfeng Town	100%	236,937	829,280	0	0	0
Zhuhai Hotel, Zhuhai	Xiangzhou	100%	109,917	143,792	132,615	18,054	18,054
Haiyu Project, Zhuhai	Xiangzhou	50%	78,000	200,540	0	0	0
Baijiao, Doumen, Zhuhai	Doumen	100%	137,061	275,083	0	0	0
Huxin Island, Xiamen	Huli	100%	95,098	199,710	64,355	0	0
Jinse Yuecheng (金色悦城), Xiamen	Xiang'an	100%	54,441	109,000	109,000	0	0
King Metropolis, Xiamen	Jimei	100%	102,427	443,000	112,220	0	0
King Metropolis, Changsha	Yuhua	60%	232,440	545,000	229,216	0	0
The Paradiso, Changsha	Furong	100%	120,150	363,369	0	0	103,762
City Garden, Changsha	Yuelu	80%	46,914	137,646	87,551	0	0
The Dream Town, Changsha	Kaifu	70%	195,421	465,542	136,014	0	0
Machine Tool Factory, Changsha	Tianxin	70%	99,770	232,761	0	0	0
Jinjiang Project, Changsha	Yuelu	78%	43,737	131,211	0	0	0
Binjiang Project, Changsha	Yuelu	58%	41,712	166,847	0	0	0
King Metropolis, Fuzhou	Cangshan	100%	16,168	37,230	37,230	0	0
Jinyu Rongjun (金域榕郡), Fuzhou	Jinan	100%	166,736	383,161	223,939	73,802	94,112
Yongtai Chibi (永泰赤壁), Fuzhou	Yongtai	51%	392,000	388,733	0	0	0
Shanghai Xincun (上海新村), Fuzhou	Taijiang	100%	93,359	432,546	0	0	0
Minjiang Beian (闽江北岸), Fuzhou	Taijiang	60%	25,397	126,714	0	0	0
Senlin Lake Project, Sanya	Sanya	65%	1,330,552	877,004	123,918	0	0
Football Headquarters Project, Sanya	Sanya	80%	260,293	301,650	0	0	0
<b>Sub-total</b>			<b>14,141,567</b>	<b>25,177,892</b>	<b>4,786,079</b>	<b>1,266,751</b>	<b>3,806,835</b>
<b>Shanghai Region</b>							
Qijiefang, Shanghai	Pudong New District	100%	83,854	142,612	0	142,612	142,612
Floral City, Shanghai	Minhang	100%	140,678	207,773	14,559	7,580	180,277
187 Wuzhong Road, Shanghai	Minhang	100%	61,724	145,065	0	131,193	131,193
No. 53, Qibao, Shanghai	Minhang	100%	49,294	126,869	0	0	0
Chonggu Project, Shanghai	Qingpu	49%	116,524	145,266	122,801	0	0
Guangfulin Project, Shanghai	Songjiang	45%	130,970	104,778	26,781	0	0
Land Lot C4, Xinchang, Shanghai	Pudong New District	100%	99,209	148,814	148,814	0	0
Blue Mountain Town, Shanghai	Pudong New District	100%	433,180	209,171	0	0	163,807



Crystal Garden, Shanghai	Qingpu	55%	77,804	79,523	48,853	30,670	30,670
Charming Garden, Shanghai	Songjiang	49%	366,465	312,931	0	7,189	312,931
Tongshan Street Project, Shanghai	Pudong New District	75%	74,555	182,230	0	0	0
New City Garden, Shanghai	Minhang	51%	287,741	334,669	91,873	40,278	40,278
Firenze, Shanghai	Minhang	49%	296,295	285,793	82,609	33,493	63,390
Bingjiang Project, Shanghai	Pudong New District	100%	38,753	103,132	0	0	0
North of Land Lot No. 35, Qibao, Shanghai	Minhang	51%	39,366	69,913	0	0	0
Wujiefang, Shanghai	Pudong New District	100%	121,463	129,242	129,242	0	0
Everest Town, Shanghai	Pudong New District	90%	238,920	321,275	0	11,862	321,275
Jiyang Road Project, Shanghai	Pudong New District	100%	19,392	16,500	0	16,500	16,500
Golden City, Shanghai	Pudong New District	60%	405,627	809,929	0	120,967	244,437
Wonderland, Shanghai	Baoshan	100%	383,576	471,700	0	33,514	471,700
Castle Tudor, Shanghai	Baoshan	100%	231,753	241,169	66,308	77,369	77,369
Land Lot Nos.45, 46, Xinzhou New City, Jiaxing	Xinzhou New District	100%	166,273	282,194	0	0	0
Land lot of Bei yi New City, Nantong	Gangzha	100%	99,910	218,650	0	0	0
Golf, Kunshan	Bacheng Town	100%	433,916	328,678	0	0	0
Nimble Bay, Suzhou	Industrial District	70%	384,042	821,664	113,380	86,228	580,269
Benan Project, Suzhou	Industrial District	51%	155,673	124,538	14,051	55,688	101,402
Golden Home, Suzhou	Canglang	55%	134,771	242,588	0	38,016	227,175
Changfeng School, Suzhou	Canglang	49%	48,713	48,693	27,754	20,974	20,974
Golden Paradise, Suzhou	Industrial District	51%	47,177	117,936	107,492	0	0
Wuyishan Road Project, Suzhou	Suzhou New District	55%	89,098	83,220	28,144	0	0
Glamorous City, Wuxi	Binhu	60%	960,000	1,346,963	220,914	89,780	730,593
Golden Paradise, Wuxi	New District	100%	224,376	620,713	118,008	43,887	43,887
The Paradiso, Wuxi	Binhu	100%	154,468	431,592	28,968	80,847	80,847
Xincheng Road Project, Wuxi	Binhu	100%	154,119	385,299	0	0	0
Liangzhu New Town, Hangzhou	Yuhang	100%	3,095,310	2,183,173	186,298	89,005	665,030
West Spring Butterfly Garden, Hangzhou	Xihu	51%	155,838	354,038	110,281	0	60,295
Golden Home, Hangzhou	Fuyang	55%	55,576	110,834	0	0	0
Fuyang Gongwang (富阳公望), Hangzhou	Fuyang	100%	517,900	208,981	21,629	51,790	51,790
Caozhuang Project, Hangzhou	Jianggan	100%	37,181	86,938	34,294	0	0
Land Lot R21-26, Caozhuang, Hangzhou	Jianggan	50%	68,564	150,841	0	0	0
Land Lot No.2, Xianlin Lake, Nanjing	Qixia	100%	91,751	201,388	0	0	0
Anpin Street, Nanjing	Baixia	100%	27,325	20,340	3,000	0	0
The Paradiso, Nanjing	Jiangning	100%	272,298	544,540	53,035	0	0
Golden Milestone (金色里程), Nanjing	Yuehua	100%	42,318	82,404	0	12,310	12,310
Glamorous City, Zhenjiang	Tanshan Road	100%	795,100	942,820	66,243	99,889	260,969
Blue Mountain, Zhenjiang	Runzhou	60%	285,683	416,285	19,304	0	0
Golden Town, Ningbo	Yinzhou	100%	190,369	313,602	0	51,768	251,167
King Metropolis, Ningbo	Yinzhou	10%	18,500	49,948	0	49,948	49,948
Jishigang Project, Ningbo	Yinzhou	100%	95,242	171,435	77,527	0	0

Zhenhai Lvhe Project, Ningbo	Zhenhai	49%	226,777	488,148	0	0	0
Yunluwan (云鹭湾), CichengNingbo	Jiangbei	15%	314,200	393,740	75,367	0	0
Golden Mingjun, Hefei	Shushan	50%	107,326	387,447	121,320	60,087	60,087
King Metropolis, Hefei	Shushan	50%	115,628	412,101	135,335	0	0
Qingshan Lake, Nanchang	Qingshan Lake	50%	97,061	133,693	116,977	14,926	14,926
Dew Garden (润园), Nanchang	Qingyunpu	50%	97,109	144,011	54,925	0	0
Chaoyangzhou, Nanchang	Xihu	50%	21,818	75,338	0	0	0
North part of Wonderland, Nanchang	Gaoxin	50%	374,335	459,013	0	29,120	459,013
Longwan Project, Wenzhou	Longwan	60%	125,219	179,768	0	0	0
Shugang, Yangzhou	Weiyang	65%	297,139	313,970	0	0	0
<b>Sub-total</b>			<b>14,275,246</b>	<b>18,465,878</b>	<b>2,466,086</b>	<b>1,527,490</b>	<b>5,867,121</b>
<b>Beijing region</b>							
Land Lot C3 in Xibeiwang, Beijing	Haidian	49%	53,545	92,719	0	0	0
Land Lot C1 in Xibeiwang, Beijing	Haidian	49%	85,099	187,218	0	0	0
No. 5 Park Front Boutique Apartment, Beijing	Chaoyang	60%	37,917	97,044	0	69,552	69,552
Blue Mountain, Beijing	Chaoyang	100%	55,885	147,249	4,372	0	0
Yingjia Center, Beijing	Chaoyang	50%	5,329	36,466	0	0	0
Changyang Project, Beijing	Fangshan	50%	437,179	853,165	355,717	0	0
Changyang No. 3 Project, Beijing	Fangshan	50%	78,325	157,992	0	0	0
Tianjiayuan, Beijing	Fangshan	68%	71,912	137,808	0	0	0
Shuiniantun Project, Beijing	Fangshan	50%	77,834	146,002	0	0	0
Jinyu Vanke City, Beijing	Changping	49%	178,908	543,461	89,842	0	169,353
Land Lot 028 in Huilongguan, Beijing	Changping	50%	68,917	192,967	0	0	0
Land Lot at the eastern end of Huilongguan, Beijing	Changping	50%	137,090	364,613	0	0	0
Holiday Town, Beijing	Fengtai	50%	224,289	413,304	16,030	52,045	318,026
Hongshi Jiayuan (红狮家园), Beijing	Fengtai	100%	59,800	184,502	34,443	146,009	146,009
Huanqingcheng, Langfang	Xianghe County	50%	545,545	1,082,200	0	0	0
Fenghuang New City, Tangshan	Lubei	60%	78,977	197,442	0	0	0
South Lake Project, Tangshan	Lunan	100%	153,527	96,661	46,901	0	0
Jinse Yazhu (金色雅筑), Tianjin	Dongli	49%	90,792	171,281	156,665	0	0
Waterfront, Tianjin	Dongli	100%	2,708,886	1,763,059	184,340	86,457	634,245
A Glamorous City, Tianjin	Dongli	100%	176,773	258,579	69,111	18,715	94,142
New Milestone, Tianjin	Dongli	51%	136,524	204,786	110,809	0	0
Holiday Dew Garden, Tianjin	Xiqing	100%	229,300	343,101	66,439	47,757	107,664
Jin'ao International, Tianjin	Xiqing	100%	58,577	162,566	83,678	0	0
Binhai Modern, Tianjin	Development District	100%	6,538	40,312	40,312	0	0
Park Residence, Tianjin	Development District	100%	32,270	48,731	22,522	0	0
Harbor (海港城), Tianjin	Binhai New District	51%	149,483	373,691	97,415	0	0
Jinlu (锦庐), Tianjin	Binhai New District	95%	90,604	126,600	47,002	0	0

New Elm Mansion, Shenyang	Hunnan New District	100%	182,139	289,647	16,187	0	232,183
The Paradiso, Shenyang	Hunnan New District	100%	226,356	666,376	88,093	64,241	152,161
A Glamorous City, Shenyang	Yuhong	100%	156,817	297,026	46,151	0	206,703
Dayu Road Project, Shenyang	Yuhong	49%	190,156	339,550	0	0	0
2-A Dayu Road East, Shenyang	Yuhong	51%	135,464	270,928	0	0	0
Dream Town, Shenyang	Heping	49%	361,320	874,752	112,660	64,795	492,941
Jiyu International (金城国际), Shenyang	Tiexi	100%	27,249	108,581	0	0	0
Gear Wheel Plant Project, Shenyang	Tiexi	70%	66,356	180,363	0	0	0
Sihai Logistic Project, Shenyang	Tiexi	100%	40,971	102,013	0	0	0
Tianqin Bay, Shenyang	Shenhe	55%	83,227	291,295	116,783	0	0
Chunhe Project, Shenyang	Shenhe	100%	81,378	392,500	0	0	0
Vanke Blue Mountain, Shenyang	Dadong	60%	74,527	232,043	131,124	0	0
8 Changbei, Shenyang	Changbai Heping	100%	120,333	360,999	0	0	0
Huisile East Project, Shenyang	Tiedong	100%	118,500	296,250	0	0	0
Rancho Phase II (兰乔大二期), Shenyang	Dongling	100%	43,334	21,245	21,245	0	0
Toudao Project, Shenyang	Dongling	70%	315,362	378,434	0	0	0
Rancho Santa Fe, Shenyang	Dongling	100%	344,366	111,539	0	21,880	111,539
South Lake Project, Fushun	Development District	100%	135,000	391,100	0	0	0
Golden Home, Anshan	Tiedong	100%	48,874	97,969	0	14,601	97,969
Dream Town, Anshan	Gaoxin	100%	167,664	393,838	88,089	43,898	119,400
Huisile Project, Anshan	Tiedong	100%	303,700	414,816	130,357	0	0
A Glamorous City, Dalian	Ganjingzi	55%	195,526	404,240	195,379	127,999	127,999
Subsequent Projects of Glamorous City, Dalian	Ganjingzi	55%	20,474	44,272	0	0	0
Land Lot C, A Glamorous City, Dalian	Ganjingzi	100%	50,083	100,000	0	0	0
Land Lot D, E, A Glamorous City, Dalian	Ganjingzi	100%	68,797	129,822	0	0	0
Ravine Village, Dalian	Ganjingzi	55%	363,716	380,922	118,141	59,851	234,706
Habor, Dalian	Puwan New District	55%	757,350	1,253,300	0	0	0
City Garden, Dalian	Shahekou	100%	28,580	33,942	0	0	0
Huisili Project, Changchun	Jingyue	50%	399,715	484,714	67,432	0	0
Park Residence Project, Changchun	Chaoyang	100%	276,769	503,349	0	0	0
Yangpu Garden, Changchun	Economic Development Zone	100%	89,678	176,615	25,637	8,365	97,108
Waterside Villa (潭溪别墅), Changchun	Jingyue Development Zone	100%	75,000	49,016	12,662	23,028	35,600
Blue Mountine Project, Changchun	Erdao	100%	251,356	501,678	134,254	0	0
Binjiang Project, Jinlin	Jilin	65%	728,139	2,155,910	0	0	0
Wonderland, Qingdao	Jimo	55%	153,284	241,280	103,824	43,368	79,683
A Glamorous City, Qingdao	Chengyang	80%	200,289	340,491	26,019	65,625	237,409
Aureate City, Qingdao	Sifang	60%	61,873	179,756	53,529	48,411	87,574
Blue Mountain, Qingdao	Shibei District	100%	68,153	204,459	76,676	0	0
Dream Town, Qingdao	Sifang	55%	154,607	395,794	90,450	0	0
City Garden, Qingdao	Chengyang	80%	130,873	231,647	116,734	0	0
Project Licang, Qingdao	Licang	100%	141,273	265,321	0	0	0

Dituan Project, Yantai	Zhifu	100%	311,614	444,065	76,624	0	0
Zhonglian Logistic Project, Yantai	Fushan	70%	190,281	361,220	0	0	0
<b>Sub-total</b>			<b>13,970,348</b>	<b>23,816,596</b>	<b>3,273,648</b>	<b>1,006,597</b>	<b>3,851,966</b>
<b>Chengdu region</b>							
Phase 1, Wulong Mountain, Chengdu	Xindu	100%	345,168	356,503	0	0	0
A Glamorous City, Chengdu	Chenghua	60%	308,501	761,258	0	41,047	474,152
The Paradiso, Chengdu	Chenghua	100%	56,293	293,504	0	56,404	293,504
Twin Riverside, Chengdu	Xindu	100%	267,347	338,203	0	19,317	338,203
Jinyu Xiling (金城西岭), Chengdu	Jinniu	60%	79,331	361,100	2,069	24,113	97,312
Golden Domain, Chengdu	Qingyang	100%	49,628	244,459	104,295	0	0
Jinrun Huafu, Chengdu	Jingjiang	100%	52,895	267,928	135,580	0	0
Golden Hairong, Chengdu	Wuhou	49%	54,970	234,125	38,763	51,110	51,110
Haiyue Huicheng, Chengdu	Shuangliu	90%	104,307	521,698	67,838	0	0
Golden Home, Wuhan	Jianghan	100%	23,851	149,618	0	118,548	149,618
Element Integration (万科圆方), Wuhan	Jianghan	55%	12,022	42,869	0	0	0
Golf City Garden, Wuhan	Dongxihu	49%	237,660	393,858	79,871	32,370	185,366
King Metropolis, Wuhan	Wuchang	55%	59,790	191,300	34,564	0	0
Dream Town, Wuhan	Jianghan	100%	65,901	299,337	54,849	0	0
Final phase of City Garden, Wuhan	East Lake High-Tech Development Zone	100%	230,970	349,607	186,167	0	0
The Paradiso, Chengdu	Wuhan Economic and Technological Development Zone	100%	213,440	533,600	160,655	0	0
Golden City, Wuhan	Hongshan	100%	135,600	470,000	99,163	0	0
Huanzi Lake, Wuhan	Jianghan	100%	102,500	542,700	0	0	0
Tangjiadun, Wuhan	Jianghan	50%	267,200	1,324,300	0	0	0
A Glamorous City, Wuhan	East Lake High-Tech Development Zone	100%	225,258	405,457	21,037	79,441	268,300
Yuyuan(渝园), Chongqing	Yubei	51%	229,581	344,372	35,839	144,637	157,757
Tixiangjun (缙香郡), Chongqing	Northern New District	100%	41,448	145,067	0	0	0
Yuefu (悦府), Chongqing	Northern New District	100%	138,071	376,737	92,788	0	0
Vanke Jincheng (万科锦程), Chongqing	Yuzhong	100%	105,463	533,486	262,995	0	0
Zhaomu Hill, Chongqing	Northern New District	55%	278,165	647,378	0	0	0
Xinde City, Xi'an	Yanta	100%	20,156	106,616	0	56,187	56,187
Jinyu Qujiang (金城曲江), Xi'an	Qujiang New District	55%	152,667	385,408	157,608	0	0
Dream Town, Chang'an, Xi'an	Chang'an	85%	176,056	614,377	139,076	0	0
King Metropolis, Guiyang	Xiaohu	51%	351,800	581,217	121,294	0	0
The Paradiso, Guiyang	Yunyan	100%	90,456	201,012	0	0	0
Jinyu Tixiang, Kunming	Panlong	100%	104,724	267,084	163,112	0	0
Dew Garden (润园), Baisha, Kunming	Panlong	100%	192,104	230,094	0	0	0
Liyushan Road Project, Urumqi	New District	100%	53,339	136,956	0	0	0
<b>Sub-total</b>			<b>4,826,662</b>	<b>12,651,228</b>	<b>1,957,563</b>	<b>623,174</b>	<b>2,071,509</b>

Total	47,213,823	80,111,594	12,483,376	4,424,012	15,597,431
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### 3. Major Suppliers and Customers

#### (1) The aggregate purchase amount from the Company's five largest suppliers as a percentage of its total purchase during the year

In 2010, the Company continued to expand the scope of sourcing, deepen the relationship with its partners and increase the proportion of centralised procurement and strategic collaborations, in order to achieve economies of scale.

During the year under review, the aggregate purchase amount from the five largest material and equipment suppliers was RMB1.43 billion, accounting for 4.75 per cent of the total purchase for the year, representing an increase of 1.52 percentage points from that of 2009.

#### (2) The aggregate sales amount to the Company's five largest customers as a percentage of its total sales during the year

The Company's major project is commodity housing. Most of its customers are individual homebuyers from various cities. Government projects made up only a certain portion of total sales and sales to bulk purchasers generating a relatively high sales amount were seen only in a few cases. Sales to the five largest customers amounted to approximately RMB1.902 billion, accounting for 3.75 per cent of the Company's total sales revenue of 2010.

### 4. Financial status of the Company

During the year under review, the Company's operation remained stable and financial position was sound.

Unit: RMB '000

Financial indicators	31-Dec-10	31-Dec-09	Change (+/-)	Reasons for changes
	( RMB'000 )	( RMB'000 )		
Total assets	215,984,662.72	138,027,359.15	56.48%	Expansion of the Company
Trade and other receivables	34,370,341.24	17,235,320.84	99.42%	Increase in advance payment for land premium of new projects, and increase in investment for the development of projects with associates and jointly controlled entities
Properties under development	78,982,068.16	41,872,964.96	88.62%	Increase in newly added projects
Loans and borrowings(Current)	16,783,690.79	8,628,670.48	94.51%	Change in debt structure
Trade and other payables	106,138,344.68	55,244,411.87	92.13%	Increase in investment for the development of projects with associates and jointly controlled entities
<b>Financial indicators</b>	<b>Jan-Dec2010</b>	<b>Jan-Dec2009</b>	<b>Change(+/-)</b>	<b>Reasons for changes</b>
Revenue	47,763,550.43	46,047,893.25	3.73%	Increased in sales from property development
Cost of sales	29,528,521.37	34,056,087.55	-13.29%	Optimisation of cost and decrease in booked scale
Other income	404,359.94	263,313.11	53.57%	Income from disposal of certain financial assets
Financial income	787,638.33	503,223.73	56.52%	Increase in dividends from investment using cost method
Profit attributable to equity shareholders of the Company	7,283,127.04	5,329,737.73	36.65%	Net profit increased during the year
Share of profits less losses of associates	135,391.17	392,250.94	65.48%	Less profits recognised from associates
Attributable to minority interests	1,556,483.47	1,100,269.81	41.46%	Increased in booked revenue of corporate projects
<b>Other financial indicators</b>	<b>Jan-Dec 2010</b>	<b>Jan-Dec 2009</b>	<b>Change (+/-)</b>	<b>Reasons for changes</b>
Gearing ratio	74.73%	67.10%	Up by 7.63 percentage	Greater increase in advance receipts, etc

			points	
Current ratio	1.59	1.92	Down by 0.33	Relatively rapid increase in advance receipts and properties under development
Quick ratio	0.56	0.59	Down by 0.03	Relatively increase in advance receipts in advance
Equity ratio	25.27%	32.90%	Down by 7.63 percentage points	Greater increase in receipts in advance, etc
Accounts turnover (Day)	9	6	Decrease by 3 days	Increase in total accounts receivable,
Inventory turnover (Day)	1367	918	Decrease by 449 days	Relatively rapid increase in properties held for development and properties under development

## 5. Investment of the Company

### (1) Use of proceeds from the capital market

#### Public issue of A Shares in 2007

Having obtained the approval from the relevant authorities, the Company issued a prospectus regarding the public issue of A shares on 22 August 2007. The Company issued 317,158,261 shares (par value: RMB1 per share) at an issue price of RMB31.53 per share, raising proceeds of RMB9,999,999,969.33. After deducting issuing expenses of RMB63,398,268.11, the net proceeds amounted to RMB9,936,601,701.22 and were received on 30 August 2007. Shenzhen Nanfang-Minhe CPA Firm Co., Ltd (深圳南方民和会计师事务所) had prepared and filed a capital verification report (Shen Nan Yan Zi (2007) No. 155).

The aforesaid proceeds were used to invest in 11 projects. Details on the investment amount, investment gain, development progress of the projects as of 31 December 2010 are as follows:

Unit: RMB'000

Total amount of proceeds, net	9,936,600		Funds used for investment during the year				92,110	
Amount of proceeds with changed usage	0		Accumulated funds used				9,606,990	
Percentage of proceeds with changed usage	0%							
Investment projects	Is there any change in project	Planned investment	Funds used for investment during the year	Accumulated funds used	Investment progress	Income realised during the year	Does it achieve estimated income	Change in feasibility
Everest Town (former Science City H3 Project), Guangzhou	No	600,000		600,000	100%	25,114	Yes	No
The Paradiso (former Jinshazhou Project), Guangzhou	No	800,000		800,000	100%	144,156	Yes	No
The Dream Town (former Nanzhuang Project), Foshan	No	900,000		900,000	100%	69,461	Yes	No
Zhuhai Hotel Project, Xiangzhou District, Zhuhai	No	650,000	52,660	640,040	98%	170,752	Yes	No
West Spring Butterfly Garden (former Jiangcun Project), Hangzhou	No	700,000		700,000	100%	6,786	Yes	No
Liangzhu Project, Yuhang District, Hangzhou	No	1,700,000		1,700,000	100%	229,377	Yes	No
Golden Town Project, Yinzhou District, Ningbo	No	1,636,600		1,636,600	100%	215,103	Yes	No
Wujiefang Project, Pudong, Shanghai	No	1,200,000	15,750	1,060,350	88%	-	Yes	No
Jinse Yazhu (former Zhonglin Project), Shanghai	No	700,000		700,000	100%	5,997	Yes	No
Anpin Street Project, Baixia District, Nanjing	No	650,000	23,698	469,998	72%	-	Yes	No
Stratford (former Huangjiayu Project), Nanjing	No	400,000		400,000	100%	305	No	No
Total	No	<b>9,936,600</b>	<b>92,108</b>	<b>9,606,988</b>	<b>97%</b>	<b>867,051</b>	-	No
Remarks on delay and failure to achieve estimated income (by project)	(1) The preconstruction of Shanghai Wujiefang Project was affected by the government's redirection of roads due to its location within the Expo area. Construction							

	has already commenced, and the overall development plan of the project will be adjusted according to progress. Nanjing Anpin Street Project was not able to commence construction according to schedule, as the government was making adjustment to its planning to preserve the city's heritage. The Company is in the progress of submitting planning reports for approval. It is expected that construction will commence in the first half of 2011, and the overall development plan of the project will be adjusted according to progress. (2) Stratford Project in Nanjing was almost sold out and delivered in 2010. Accumulative net margin amounted to 9.95%. The project had achieved brand effect but the income generated from the project did not reach the estimated level stated in the prospectus, while the income of other projects financed by the raised proceeds exceeded the estimated level. It is expected that the overall return from the projects financed by the raised proceeds will be higher than the estimated level stated in the prospectus.
Remarks on reasons and procedures for changes (by project)	No changes
Application of the balance of the proceeds	As of 31 December 2010, the Company had applied RMB9,606.99 million of the proceeds in accordance with the prospectus. The amount represented 96.7% of the net proceeds of RMB9,936.6 million. The balance of proceeds of RMB329.61 million will be applied in accordance with the progress of project development.

## (2) Use of capital not from the capital market

### A. Equity investment

During the year under review, the Company's net investment amount increased by RMB11,419 million.

1) During the year under review, the Company promoted and established 26 new subsidiaries, each with registered capital of over RMB30 million. The details are as follows:

No.	Newly-established company	Currency	Registered capital	Actual investment by China Vanke (RMB)	Scope of business
1	Ningbo Wangang Real Estate Development Co., Ltd. (宁波万港房地产开发有限公司)	RMB	603,750,000.00	603,750,000.00	Property development
2	Yangzhou Wanwei Property Co., Ltd. (扬州万维置业有限公司)	RMB	550,000,000.00	357,500,000.00	Property development
3	Beijing COFCO Vanke Property Co., Ltd. (北京中粮万科置业有限公司)	RMB	300,000,000.00	150,000,000.00	Property development
4	Shanghai Puhui Property Co., Ltd. (上海浦汇置业有限公司)	RMB	290,000,000.00	290,000,000.00	Property development
5	Shenzhen Vanke Zhongcheng Real Estate Co., Ltd. (深圳市万科中城房地产有限公司)	RMB	285,714,300.00	85,714,300.00	Property development
6	Tangshan Vanke Real Estate Development Co., Ltd. (唐山万科房地产开发有限公司)	RMB	200,000,000.00	200,000,000.00	Property development
7	Wuhan Liantou Vanke Real Estate Co., Ltd. (武汉联投万科房地产有限公司)	RMB	200,000,000.00	100,000,000.00	Property development
8	Fuzhou Wanrong Real Estate Development Co., Ltd. (福州市万榕房地产开发有限公司)	RMB	160,000,000.00	160,000,000.00	Property development
9	Xi'an Vanke Kaizhou Property Co., Ltd. (西安万科恺洲置业有限公司)	USD	132,000,000.00	495,590,700.00	Property development
10	Guiyang Vanke Real Estate Co., Ltd. (贵阳万科房地产有限公司)	RMB	100,000,000.00	100,000,000.00	Property development
11	Xi'an Vanke South Property Co., Ltd. (西安万科南部置业有限公司)	RMB	100,000,000.00	85,000,000.00	Property development
12	Jilin Vanke River Bank Real Estate Development Co., Ltd. (吉林市万科滨江房地产开发有限公司)	RMB	100,000,000.00	65,000,000.00	Property development
13	Tangshan Vanke Golden Real Estate Development Co., Ltd. (唐山万科金色房地产开发有限公司)	RMB	100,000,000.00	60,000,000.00	Property development
14	Jiaxing Vanke Real Estate Development Co., Ltd. (嘉兴万科房地产开发有限公司)	RMB	100,000,000.00	100,000,000.00	Property development
15	Jiaxing Wanxing Real Estate Development Co., Ltd. (嘉兴万兴房地产开发有限公司)	RMB	100,000,000.00	100,000,000.00	Property development
16	Xinjiang Vanke Real Estate Co., Ltd. (新疆万科房地产有限公司)	RMB	100,000,000.00	100,000,000.00	Property development
17	Shenyang Vanke Dongman Property Co., Ltd. (沈阳万科东漫置业有限公司)	USD	70,000,000.00	286,246,800.00	Property development
18	Chengdu Vanke Xindu Property Co., Ltd. (成都万科新都置业有限公司)	USD	70,000,000.00	472,543,900.00	Property development

19	Langfang Wanheng Shengye Real Estate Development Co., Ltd. (廊坊万恒盛业房地产开发有限公司)	USD	50,000,000.00	168,045,560.00	Property development
20	Tianjin Wangang Investment Co., Ltd. (天津万港投资有限公司)	RMB	50,000,000.00	25,500,000.00	Property development
21	Taiyuan Baojia Vanke Real Estate Development Co., Ltd. (太原宝佳万科房地产开发有限公司)	RMB	50,000,000.00	25,500,000.00	Property development
22	BUCC Vanke Real Estate Development Co., Ltd. (北京住总万科房地产开发有限公司)	RMB	50,000,000.00	25,000,000.00	Property development
23	Nanjing Wanhui Property Co., Ltd. (南京万晖置业有限公司)	RMB	50,000,000.00	50,000,000.00	Property development
24	Shenyang China Railway Vanke Xiangmeng Property Co., Ltd. (沈阳中铁万科祥盟置地有限公司)	RMB	50,000,000.00	24,500,000.00	Property development
25	Tianjin Wanshang Property Investment Co., Ltd. (天津万商地产投资有限公司)	RMB	50,000,000.00	25,500,000.00	Property development
26	Yantai Vanke Real Estate Development Co., Ltd. (烟台万科房地产开发有限公司)	RMB	30,000,000.00	30,000,000.00	Property development
<b>Total</b>				<b>4,185,391,260.00</b>	

In addition to the aforesaid companies, the Group had promoted and established another 48 companies, with a total amount of investment of RMB392.88 million.

2). The major companies the Group acquired during the year under review are as follows:

- a) On 3 December 2010, the Company acquired 80% equity interests of Hainan Shibote Investment Co., Ltd. for a total cash consideration of RMB887.21million..
- b) On 15 December 2010, the Company acquired 100% equity interests of Kunming Shencheng Real Estate Development Co., Ltd. for a total cash consideration of RMB401.13million.
- c) On 26 February 2010, the Company acquired 100% equity interests of Kunming Xinhemin (North District) Real Estate Co., Ltd. for a total cash consideration of RMB305.78 million.
- d) On 26 March 2010, the Company acquired 75% equity interests of Shanghai Zhongfang River Bank Property Co., Ltd. for a total cash consideration of RMB152.20 million.
- e) On 22 December 2010, the Company obtained 100% equity interests of Qingyuan Jinlong Zhengda Property Co., Ltd. for a total cash consideration of RMB110.21 million.

The total amount of investment in another 19 companies acquired by the Company during the year under review was RMB361.77 million.

- 3) During the year under review, the Company increased the capital of 21 subsidiaries by RMB4.62 billion. Of the total amount, RMB1 billion was for Beijing Vanke Enterprises Company Limited and RMB950 million for Guangzhou Vanke Real Estate Co., Ltd. Capital injection to other companies amounted to RMB2.67 billion.

## B. Other investments

During the year under review, the Company acquired 87 new projects, with a total site area attributable to China Vanke's equity holding of approximately 9,410,000 sq m and planned GFA attributable to China Vanke's equity holding of approximately 22,150,000 sq m.

City	Project	Location	Equity interest	Site Area	Planned GFA	GFA attributable to China Vanke's equity holding	Progress
Shenzhen	Buji Shuijing Project	Longgang	60%	165,003	449,360	269,616	Pre-construction
	Buji Sandy Bay Project	Longgang	65%	104,870	481,215	312,790	Under construction



	Nanyuan Village Project	Nanshan	80%	82,600	581,700	465,360	Pre-construction
	Yuyi Village Project	Nanshan	80%	19,500	142,000	113,600	Pre-construction
	Vanke Hong	Longgang	100%	31,337	150,370	150,370	For sale
	Yantian Central Line Project	Yantian	100%	89,177	344,670	344,670	Pre-construction
Huizhou	Final phase of Shuangyue Bay	Huidong	67%	327,000	490,500	328,635	Pre-construction
Guangzhou	Tianhe Yupin	Baiyun	100%	22,297	120,850	120,850	For sale
	Science City	Luogang	100%	177,588	454,175	454,175	Pre-construction
Qingyuan	Dream Town	Qingyuan	100%	689,326	1,356,279	1,356,279	For sale
	Qingcheng #29	Qingyuan	100%	79,164	312,820	312,820	Pre-construction
Dongguan	The Paradiso Songshan Lake	Songshan Lake	51%	136,151	381,000	194,310	Under construction
	Humen Zitai	Humen	100%	60,570	151,426	151,426	For sale
	Chang'an Project	Chang'an	100%	75,653	249,654	249,654	Pre-construction
	Nancheng Headquarters	Nancheng	100%	4,771	42,937	42,937	Pre-construction
	Houjie Project	Houjie	100%	88,788	257,486	257,486	Pre-construction
Foshan	Lunjiao Project	Shunde	100%	80,571	241,712	241,712	Under construction
	Phase II of Chencun Project	Shunde	100%	117,854	294,636	294,636	Under construction
	F04 Project	Shunde	50%	30,382	75,954	37,977	Pre-construction
	Lishuiyan South Road Project	Nanhai	100%	66,533	79,839	79,839	Under construction
	South Village Project	Chancheng	57%	114,429	564,667	322,989	Pre-construction
Zhuhai	Haiyu Project	Xiangzhou	50%	78,000	200,540	100,270	
	Doumen Baijiao Project	Doumen	100%	137,061	275,083	275,083	
Zhongshan	Tanzhou Project	Tanzhou	100%	32,103	127,742	127,742	Under construction
	Dongfeng Central District	Dongfeng	100%	236,937	829,280	829,280	Pre-construction
Fuzhou	Yongtai Red Cliff	Yongtai	51%	392,000	388,733	198,254	Pre-construction
	Shanghai New Village Project	Taijiang	100%	93,359	432,546	432,546	Pre-construction
	Min River North Coast	Taijiang	60%	25,397	126,714	76,028	Pre-construction
Sanya	Huxin Island Project	Sanya	80%	260,293	301,650	241,320	Pre-construction
Changsha	Machine Tool Factory	Tianxin	70%	99,770	232,761	162,933	Pre-construction
	Jinjiang Project	Yuelu	78%	43,737	131,211	102,344	Pre-construction
	Binjiang Project	Yuelu	58%	41,712	166,847	96,771	Pre-construction
Shanghai	Xinchang Lot No. C4	Pudong New District	100%	99,209	148,814	148,814	Under construction
	Chonggu Project	Qingpu	49%	116,524	145,266	71,180	For sale
	Guangfulin Project	Songjiang	45%	130,970	104,778	47,150	Under construction
Jiaxing	Xiuzhou New City Land Lot No. 45 & 46	Xiuzhou New District	100%	166,273	282,194	282,194	Pre-construction
Nantong	Beiyi New City land	Gangzha	100%	99,910	218,650	218,650	Pre-construction
Hangzhou	Hangzhou Caozhuang 2	Jianggan	50%	68,564	150,841	75,421	Pre-construction

Suzhou	Wuyishan Road Project	Suzhou New District	55%	89,098	83,220	45,771	Pre-construction
Wuxi	Wuxi Xincheng Road	Binhu	100%	154,119	385,299	385,299	Pre-construction
Nanjing	Xianlin Lake Land Lot No. 2	Qixia	100%	91,751	201,388	201,388	Pre-construction
Zhenjiang	Blue Mountain	Runzhou	60%	285,683	416,285	249,771	Pre-construction
Yangzhou	Shugang	Weiyang	65%	297,139	313,970	204,081	Pre-construction
Ningbo	Jishi Port Project	Yinzhou	100%	95,242	171,435	171,435	For sale
	Zhenhai Luhe Project	Zhenhai	49%	226,777	488,148	239,193	Pre-construction
Wenzhou	Longwan Project	Longwan	60%	125,219	179,768	107,861	Pre-construction
Nanchang	Chaoyangzhou	Xihu	50%	21,818	75,338	37,669	Pre-construction
Beijing	Land Lot No. 3, Changyang Project	Fangshan	50%	78,325	157,992	78,996	Pre-construction
	Huilongguan Land Lot No. 28	Changping	50%	68,917	192,967	96,484	Pre-construction
	Huilongguan East Land Lot	Changping	50%	137,090	364,613	182,307	Pre-construction
	Xibeiwang Land Lot C1	Haidian	49%	85,099	187,218	91,737	Pre-construction
	Xibeiwang Land Lot C3	Haidian	49%	53,545	92,719	45,432	Pre-construction
	Shuiniantun Project	Fangshan	50%	77,834	146,002	73,001	Pre-construction
	Yingjia Mansion	Chaoyang	50%	5,329	36,466	18,233	Pre-construction
	Tianjiayuan	Fangshan	68%	71,912	137,808	93,709	Pre-construction
Tangshan	South Lake Project	Lu'nan	100%	153,527	96,661	96,661	For sale
	Phoenix New City	Lu'bei	60%	78,977	197,442	118,465	Pre-construction
Langfan	Huanqing City	Xianghe	50%	545,545	1,082,200	541,100	Pre-construction
Tianjin	Harbour City	Binhai New District	51%	149,483	373,691	190,583	For sale
	Golden Yazhu	Dongli	49%	90,792	171,281	83,928	For sale
Shenyang	Casa de Sol	Dadong	60%	74,527	232,043	139,226	For sale
	Gear Wheel Plant Project	Tiexi	70%	66,356	180,363	126,254	Pre-construction
	Sihai Logistic Project	Tiexi	100%	40,971	102,013	102,013	Pre-construction
	Dayu Road Project	Yuhong	49%	190,156	339,550	166,380	Pre-construction
	Dayu Road East 2A	Yuhong	51%	135,464	270,928	138,173	Pre-construction
	Chunhe Project	Shenhe	100%	81,378	392,500	392,500	Pre-construction
	Changbai 8	Heping Changbei	100%	120,333	360,999	360,999	Pre-construction
	Whistler East Project	Tiedong	100%	118,500	296,250	296,250	Pre-construction
Fushun	South Lake Project	Fushun Development Zone	100%	135,000	391,100	391,100	Pre-construction
Dalian	Glamorous City Land Lot C	Ganjingzi	100%	50,083	100,000	100,000	Pre-construction
	Glamorous City Land Lot D&E	Ganjingzi	100%	68,797	129,822	129,822	Pre-construction
	Harbour City	Puwan New District	55%	757,350	1,253,300	689,315	Pre-construction
Jilin	Binjiang Project	Jilin	65%	728,139	2,155,910	1,401,342	Pre-construction

Qingdao	Licang Project	Licang	100%	141,273	265,321	265,321	Pre-construction
Yantai	China Union Logistics Project	Fushan	70%	190,281	361,220	252,854	Pre-construction
Wuhan	Aureate City	Hongshan	100%	135,600	470,000	470,000	Under construction
	Wanzi Lake	Jiangnan	100%	102,500	542,700	542,700	Pre-construction
	Tangjiadun	Jiangnan	50%	267,200	1,324,300	662,150	Pre-construction
Chengdu	Phase I, Wulong Mountain	Xindu	100%	345,168	356,503	356,503	Pre-construction
Chongqing	Zhaomushan	Northern New District	55%	278,165	647,378	356,058	Pre-construction
Xi'an	The Paradiso Qujiang	Qujiang New District	55%	152,667	385,408	211,974	Pre-construction
	Dream Town	Chang'an	85%	176,056	614,377	522,220	Pre-construction
Kunming	Jinyu Tixiang	Panlong	100%	104,724	267,084	267,084	For sale
	Baisha Runyuan	Panlong	100%	192,104	230,094	230,094	For sale
Guiyang	King Metropolis	Xiaohe	51%	351,800	581,217	296,421	Pre-construction
	The Paradiso	Yunyan	100%	90,456	201,012	201,012	Pre-construction
Urumqi	Liyushan Road Project	New Town	100%	53,339	136,956	136,956	Pre-construction
<b>Total</b>				<b>2,816,991</b>	<b>29,627,159</b>	<b>22,145,936</b>	-

The total land premium of the above-mentioned new projects attributable to China Vanke's equity holding was RMB61.46 billion. As at the end of 2010, the Company had paid a total premium of RMB32.7 billion for the above-mentioned new projects.

#### Subsequent event:

From the end of the year under review to the date of publication of this report, the Company acquired 16 new projects, with a site area of approximately 1,550,000 sq m attributable to China Vanke's equity holding (GFA of approximately 3,630,000 sq m attributable to China Vanke's equity holding).

(Unit: sq m)

City	Project	Location	Equity interest	Site area	Planned GFA	GFA attributable to China Vanke's equity holding	Progress
Shenzhen	Subsequent phase of Langqi Project	Longgang	100%	41,487	22,403	22,403	Pre-construction
Dongguan	Shitanpu G003 Project, Tangxia	Tangxia	100%	52,813	105,626	105,626	Pre-construction
Shanghai	Juyuan New District Land, Jiading	Jiading	100%	90,013	180,026	180,026	Pre-construction
	Ledu Road Land Lot B, Songjiang	Songjiang	100%	67,932	108,691	108,691	Pre-construction
Hangzhou	Fuyang Golf Land Lot A	Fuyang	20%	69,941	104,912	20,982	Pre-construction
	Fuyang Golf Land Lot B	Fuyang	20%	69,989	83,987	16,797	Pre-construction
	Fuyang Golf Land Lot C	Fuyang	20%	68,244	68,244	13,649	Pre-construction
	Fuyang Golf Land Lot D	Fuyang	20%	59,933	59,933	11,987	Pre-construction
Suzhou	Jinchang New Town Project	Jinchang	49%	99,105	247,763	121,404	Pre-construction
Wuhu	Zhushan Road Land Lot No. 1 & 3	Jiujiang	100%	274,404	493,927	493,927	Pre-construction
Qinhuangdao	Northern Industrial Area Project	Northern Industrial Area	48%	270,549	642,357	308,331	Pre-construction
Shenyang	Baolida Project	Hunnan New	65%	199,319	597,957	388,672	Pre-construction

		District					
Tianjin	Dongjiang Port Project	Binhai New District	51%	255,000	359,900	183,549	Pre-construction
Wuhan	Subsequent phase of Yangtze River Village Project	Hongshan	100%	138,500	426,072	426,072	Pre-construction
Xi'an	Changzhengcun	Hongshan	100%	282,255	871,800	871,800	Pre-construction
	Chang'an CA6-6-1	Chang'an	100%	113,118	348,730	348,730	Pre-construction
<b>Total</b>				<b>2,152,602</b>	<b>4,745,370</b>	<b>3,634,397</b>	-

## 6. Project development plan for the new year

At the end of 2010, the Company had 245 development projects; the total GFA of projects under development attributable to China Vanke's equity holding amounted to approximately 13,620,000 sq m, the total GFA of projects under planning attributable to China Vanke's equity holding amounted to approximately 36,400,000 sq m.

In 2011, the Company will continue to adopt the quick turnover strategy of "not hoarding land resources; not stalling home sale", with an aim to further lift its operational efficiency. The expected construction area of existing projects amounted to 13,290,000 sq m, up by 6% from that of 2010. In addition, the Company will moderately speed up construction to complete projects faster so that it can recognize revenue as soon as possible to cope with the continued increase in advance receipts. It is expected that the completed construction area in 2011 will amount to 7,290,000 sq m, up by 65% from that of 2010.

The Group's major projects in 2011:

Unit: sq m

Project Name	Location	Equity interest	Site area	Planned GFA	Planned area of newly commenced construction in 2011	Planned completed area in 2011	GFA construction of which not commenced as at the end of 2010
<b>Shenzhen Region</b>							
Yuyi Village Project, Shenzhen	Nanshan	80%	19,500	142,000	0	0	142,000
Nanyuan New Village Project, Shenzhen	Nanshan	80%	82,600	581,700	93,139	0	581,700
East Coast, Shenzhen	Yantian	100%	342,984	265,864	0	0	0
Vanke Centre, Shenzhen	Yantian	100%	61,730	80,201	0	0	0
Tianqin Bay, Shenzhen	Yantian	100%	253,990	24,785	0	3,218	5,242
Yantian Central Line Project	Yantian	100%	89,177	344,670	0	0	344,670
King Metropolis, Shenzhen	Baoan	100%	68,310	196,182	0	76,772	0
Golden Domain Project, Shenzhen	Baoan	100%	72,410	161,856	39,820	68,518	93,338
Ravine Village, Shenzhen	Baoan	60%	158,639	47,270	0	0	47,270
The Village, Shenzhen	Longgang	100%	472,011	646,930	72,302	80,842	72,302
Golden Hill, Shenzhen	Longgang	100%	62,474	96,969	0	52,864	0
Jiuzhou Project, Shenzhen	Longgang	100%	236,330	513,012	149,098	0	513,012
Qianlin Shanju, Shenzhen	Longgang	100%	198,597	361,753	36,741	68,512	36,741
Vanke Hong, Shenzhen	Longgang	100%	31,337	150,370	56,818	65,329	150,370

Jinse Qinyuan Project, Shenzhen	Longgang	90%	37,740	69,608	0	69,344	0
Shuijing Project, Buji, Shenzhen	Longgang	60%	165,003	449,360	0	0	449,360
Sandy Bay Project, Buji, Shenzhen	Longgang	65%	104,870	481,215	103,741	0	433,785
Eastern Metropolis, Shenzhen	Pingshan New District	100%	104,801	315,808	87,726	0	238,001
Water Cities, Shenzhen	Tangxia, Dongguan	51%	596,786	412,504	106,752	32,339	253,532
Dajia Island, Shenzhen	Huizhou	100%	364,450	234,975	0	0	234,975
Shuangyuewan, Huizhou	Huidong	67%	687,000	850,500	108,995	0	850,500
Jinyu Huating, Huizhou	Huicheng	100%	151,298	327,550	66,182	83,753	223,911
Glorious Life, Guangzhou	Baiyun	100%	22,297	120,850	0	0	0
The Paradiso, Guangzhou	Baiyun	50%	144,657	433,584	0	35,958	0
Hillside Garden, Guangzhou	Baiyun	50%	94,745	133,746	0	0	0
Science City Project, Guangzhou	Luogang	100%	177,588	454,175	67,500	0	454,175
Aureate City, Guangzhou	Panyu	100%	58,093	72,549	0	66,278	0
King Metropolis, Guangzhou	Liwan	100%	6,623	46,147	0	0	0
Tongfu West, Guangzhou	Haizhu	100%	9,929	85,279	46,078	39,201	46,078
Le Bonheur, Guangzhou	Liwan	100%	38,111	135,689	0	35,635	0
Nansha Project, Guangzhou	Nansha	95%	134,760	269,520	0	0	0
Jinshazhou B04 Project, Guangzhou	Baiyun	100%	17,207	30,973	0	30,973	0
Racho Santa Fe, Guangzhou	Huadu	49%	210,288	124,338	0	0	0
Dream Town, Qingyuan	Qingyuan	100%	689,326	1,356,279	102,000	0	1,010,949
29# Qingcheng, Qingyuan	Qingyuan	100%	79,164	312,820	107,000	0	312,820
Jinyu Songhu, Dongguan	Songshan Lake	51%	136,151	381,000	106,854	0	236,834
Chang'an Project, Dongguan	Chang'an Town	100%	75,653	249,654	139,654	0	249,654
Nancheng Headquarters, Dongguan	Nanchang	100%	4,771	42,937	42,937	0	42,937
Houjie Project, Dongguan	Houjie Town	100%	88,788	257,486	0	0	257,486
Dream Town, Changping, Dongguan	Changping	100%	635,971	442,460	85,107	38,806	106,424
Vanke Luhua, Dongguan	Dalingshan	100%	146,674	117,341	34,005	46,118	34,005
Hongxinuoya, Dongguan	Songshan Lake	100%	416,618	291,633	6,607	44,729	34,515
King Metropolis, Dongguan	Nancheng	51%	189,934	493,827	114,632	111,934	234,503
Feilishan, Dongguan	Nancheng	50%	249,534	374,302	124,107	0	267,655
The Paradiso, Dongguan,	Dalang Town	51%	91,780	183,560	0	49,630	0
The Paradiso, Foshan	Nanhai	55%	221,035	574,690	85,332	117,352	233,633
Binfen Siji (缤纷四季) Project, Foshan	Shunde	100%	38,986	134,891	0	56,380	0
Dengzhou Project, Foshan	Shunde	49%	284,036	710,092	87,900	88,517	567,354
Lunjiao Qinyuna (伦	Shunde	100%	80,571	241,712	68,005	3,541	68,005

教沁园) Project, Foshan							
Nancun Project, Foshan	Chancheng	57%	114,429	564,667	87,900	0	564,667
Two projects in Chencun, Foshan	Shunde	100%	117,854	294,636	83,171	0	133,171
F04 Project, Foshan	Shunde	50%	30,382	75,954	75,954	0	75,954
Jinse Xigu Huayuan (金色溪谷花园), Foshan	Nanhai	100%	66,533	79,839	79,839	0	79,839
Xincheng Wanpan, Foshan	Shunde	100%	69,877	139,754	0	13,626	0
Rancho Santa Fe., Foshan	Shunde	100%	127,598	228,002	0	53,444	0
King Metropolis, Foshan	Nanhai	100%	110,001	240,170	0	22,568	0
The Dream Town, Foshan	Chancheng	100%	337,544	776,350	19,500	0	495,483
Jinyu Huating, Foshan	Nanhai	55%	75,916	184,607	0	66,157	0
City Scenery, Zhongshan	Southern District	100%	338,516	523,177	0	85,623	0
Spring Dew Mansion, Zhongshan	Eastern District	100%	76,387	175,133	0	62,897	0
Tanzhou Project, Zhongshan	Tanzhou Town	100%	32,103	127,742	0	0	0
Central District, Dongfeng Town, Zhongshan	Dongfeng Town	100%	236,937	829,280	169,200	0	829,280
Zhuhai Hotel, Zhuhai	Xiangzhou	100%	109,917	143,792	0	73,408	0
Haiyu Project, Zhuhai	Xiangzhou	50%	78,000	200,540	50,640	7,640	200,540
Baijiao, Doumen, Zhuhai	Doumen	100%	137,061	275,083	125,083	0	275,083
Huxin Island, Xiamen	Huli	100%	95,098	199,710	56,035	34,085	135,355
Jinse Yuecheng, Xiamen	Xiang'an	100%	54,441	109,000	0	62,730	0
King Metropolis, Xiamen	Jimei	100%	102,427	443,000	165,195	27,640	330,780
King Metropolis, Changsha	Yuhua	60%	232,440	545,000	177,366	135,617	315,784
The Paradiso, Changsha	Furong	100%	120,150	363,369	0	0	259,552
City Garden, Changsha	Yuelu	80%	46,914	137,646	2,040	46,549	2,040
The Dream Town, Changsha	Kaifu	70%	195,421	465,542	195,817	109,890	329,528
Machine Tool Factory, Changsha	Tianxin	70%	99,770	232,761	108,811	0	232,761
Jinjiang Project, Changsha	Yuelu	78%	43,737	131,211	98,921	0	131,211
Binjiang Project	Yuelu	58%	41,712	166,847	54,000	0	166,847
King Metropolis, Fuzhou	Cangshan	100%	16,168	37,230	0	37,230	0
Jinyu Rongjun, Fuzhou	Jinan	100%	166,736	383,161	60,422	66,061	60,422
Yongtai Chibi, Fuzhou	Yongtai	51%	392,000	388,733	50,685	0	388,733
Shanghai Xincun, Fuzhou	Taijiang	100%	93,359	432,546	232,546	0	432,546
Minjiang Beian, Fuzhou	Taijiang	60%	25,397	126,714	126,714	0	126,714
Senlin Lake Project, Sanya	Sanya	65%	1,330,552	877,004	135,700	123,918	753,086
Huxin Island Project, Sanya	Sanya	80%	260,293	301,650	0	0	301,650
<b>Sub-total</b>			<b>14,141,567</b>	<b>25,177,892</b>	<b>4,413,236</b>	<b>2,395,626</b>	<b>15,473,874</b>
<b>Shanghai Region</b>							
Qijiefang, Shanghai	Pudong New	100%	83,854	142,612	0	0	0

	District						
Floral City, Shanghai	Minhang	100%	140,678	207,773	0	27,496	0
187 Wuzhong Road, Shanghai	Minhang	100%	61,724	145,065	0	13,872	0
No. 53, Qibao, Shanghai	Minhang	100%	49,294	126,869	0	0	126,869
Chonggu Project, Shanghai	Qingpu	49%	116,524	145,266	22,465	0	22,465
Guangfulin Project, Shanghai	Songjiang	45%	130,970	104,778	35,811	0	77,998
Land Lot C4, Xinchang, Shanghai	Pudong New District	100%	99,209	148,814	0	0	0
Blue Mountain Town, Shanghai	Pudong New District	100%	433,180	209,171	0	58,700	0
Crystal Garden, Shanghai	Qingpu	55%	77,804	79,523	0	48,853	0
Charming Garden, Shanghai	Songjiang	49%	366,465	312,931	0	0	0
Tongshan Street Project, Shanghai	Pudong New District	75%	74,555	182,230	126,066	0	182,230
New City Garden, Shanghai	Minhang	51%	287,741	334,669	43,553	50,679	147,432
Firenze, Shanghai	Minhang	49%	296,295	285,793	78,000	82,609	135,757
Bingjiang Project, Shanghai	Pudong New District	100%	38,753	103,132	0	0	103,132
North of Land Lot No. 35, Qibao, Shanghai	Minhang	51%	39,366	69,913	0	0	69,913
Wujiefang, Shanghai	Pudong New District	100%	121,463	129,242	0	0	0
Jiyang Road, Shanghai	Pudong New District	100%	19,392	16,500	0	0	0
Golden City, Shanghai	Pudong New District	60%	405,627	809,929	50,430	0	513,188
Wonderland, Shanghai	Baoshan	100%	383,576	471,700	0	0	0
Castle Tudor, Shanghai	Baoshan	100%	231,753	241,169	0	66,308	0
Land Lot in Xinzhou New City, Jiaxing	Xinzhou New District	100%	166,273	282,194	90,777	0	282,194
Land Lot in Beiyi New City, Nantong	Gangzha	100%	99,910	218,650	158,650	0	218,650
Golf, Kunshan	Bacheng Town	100%	433,916	328,678	30,000	0	326,333
Nimble Bay, Suzhou	Industrial District	70%	384,042	821,664	5,000	20,504	119,931
Benan Project, Suzhou	Industrial District	51%	155,673	124,538	0	23,004	0
Golden Home, Suzhou	Canglang	55%	134,771	242,588	0	26,150	0
Changfeng School, Suzhou	Canglang	49%	48,713	48,693	0	27,726	0
Golden Paradise, Suzhou	Industrial District	51%	47,177	117,936	0	98,187	0
Wuyishan Road Project, Suzhou	Suzhou New District	55%	89,098	83,220	27,076	0	55,076
A Glamorous City, Wuxi	Binhu	60%	960,000	1,346,963	54,895	98,132	350,935
Golden Paradise, Wuxi	New District	100%	224,376	620,713	139,780	71,839	420,962
The Paradiso, Wuxi	Binhu	100%	154,468	431,592	43,860	25,014	271,435
Xincheng Road, Wuxi	Binhu	100%	154,119	385,299	73,596	0	385,299
Liangzhu New Town, Hangzhou	Yuhang	100%	3,095,310	2,183,173	105,759	15,348	1,166,044
West Spring Butterfly Garden, Hangzhou	Xihu	51%	155,838	354,038	0	128,387	0
Golden Home, Hangzhou	Fuyang	55%	55,576	110,834	0	110,281	0

Fuyang Gongwang, Hangzhou	Fuyang	100%	517,900	208,981	26,443	15,972	121,026
Caozhuang, Hangzhou	Jianggan	100%	37,181	86,938	52,644	0	52,644
Land Lot No. 25, Caozhuang 2, Hangzhou	Jianggan	50%	68,564	150,841	75,301	0	150,841
Land Lot No.2, Xianlin Lake, Nanjing	Qixia	100%	91,751	201,388	135,000	0	201,388
Anpin Street, Nanjing	Baixia	100%	27,325	20,340	17,340	0	17,340
The Paradiso, Nanjing	Jiangning	100%	272,298	544,540	184,462	70,640	370,992
Golden Milestone, Nanjing	Yuehua	100%	42,318	82,404	0	69,416	0
Glamorous City, Zhenjiang	Tanshan Road	100%	795,100	942,820	156,283	77,566	535,212
Blue Mountain Zhenjiang	Runzhou	60%	285,683	416,285	66,997	0	396,981
Golden Town, Ningbo	Yinzhou	100%	190,369	313,602	0	60,689	0
King Metropolis, Ningbo	Yinzhou	10%	18,500	49,948	0	0	0
Jishigang Project, Ningbo	Yinzhou	100%	95,242	171,435	93,908	0	93,908
Zhenhai Lvhe Project, Ningbo	Zhenhai	49%	226,777	488,148	153,796	0	488,148
Yunluwan (云鹭湾) Project, CichengNingbo	Jiangbei	15%	314,200	393,740	155,696	75,367	318,373
Golden Mingjun, Hefei	Shushan	50%	107,326	387,447	102,905	102,905	102,905
King Metropolis, Hefei	Shushan	50%	115,628	412,101	88,663	0	276,766
Qingshan Lake, Nanchang	Qingshan Lake	50%	97,061	133,693	0	22,593	0
Dew Garden, Nanchang	Qingyunpu	50%	97,109	144,011	87,879	85,035	89,086
Chaoyangzhou Project, Nanchang	Xihu	50%	21,818	75,338	75,338	0	75,338
North part of Wonderland, Nanchang	Gaoxin	50%	374,335	459,013	0	0	0
Longwan Project, Wenzhou	Longwan	60%	125,219	179,768	89,622	0	179,768
Shugang Project, Yangzhou	Weiyang	65%	297,139	313,970	160,000	0	313,970
<b>Sub-total</b>			<b>14,275,246</b>	<b>18,465,878</b>	<b>2,807,995</b>	<b>1,573,272</b>	<b>8,760,529</b>
<b>Beijing region</b>							
Land Lot C3 in Xibeiwang, Beijing	Haidian	49%	53,545	92,719	10,000	0	92,719
Land Lot C1 in Xibeiwang, Beijing	Haidian	49%	85,099	187,218	76,060	0	187,218
No. 5 Park Front Boutique Apartment, Beijing	Chaoyang	60%	37,917	97,044	0	27,492	0
Blue Mountain, Beijing	Chaoyang	100%	55,885	147,249	28,277	23,717	28,277
Yingjia Center, Beijing	Chaoyang	50%	5,329	36,466	36,466	0	36,466
Changyang Project, Beijing	Fangshan	50%	437,179	853,165	15,000	51,591	497,448
Changyang No. 3 Project, Beijing	Fangshan	50%	78,325	157,992	30,000	0	157,992
Tianjiayuan Project, Beijing	Fangshan	68%	71,912	137,808	87,808	0	137,808
Shuiniantun Project, Beijing	Fangshan	50%	77,834	146,002	15,000	0	146,002
Jinyu Dream Town,	Changping	49%	178,908	543,461	139,227	96,950	189,227



Beijing							
Land Lot 028 in Huilongguan, Beijing	Changping	50%	68,917	192,967	92,967	0	192,967
Land Lot at the eastern end of Huilongguan, Beijing	Changping	50%	137,090	364,613	45,000	0	364,613
Holiday Town, Beijing	Fengtai	50%	224,289	413,304	0	54,167	0
Hongshi Jiayuan, Beijing	Fengtai	100%	59,800	184,502	0	0	0
Huanqingcheng, Langfang	Xianghe County	50%	545,545	1,082,200	112,180	70,000	1,082,200
Fenghuang New City, Tangshan	Lubei	60%	78,977	197,442	90,483	0	197,442
South Lake Project, Tangshan	Lunan	100%	153,527	96,661	49,760	46,901	49,760
Jinse Yazhu, Tianjin	Dongli	49%	90,792	171,281	14,616	56,064	14,616
A Glamorous City, Tianjin	Dongli	100%	176,773	258,579	30,465	64,275	30,466
Waterfront, Tianjin	Dongli	100%	2,708,886	1,763,059	52,200	77,108	1,134,244
New Milestone, Tianjin	Dongli	51%	136,524	204,786	0	150,951	0
Holiday Dew Garden, Tianjin	Xiqing	100%	229,300	343,101	93,856	39,848	93,856
Jin'ao International, Tianjin	Xiqing	100%	58,577	162,566	0	33,393	1
Binhai Modern, Tianjin	Development District	100%	6,538	40,312	0	0	0
Park Residence, Tianjin	Development District	100%	32,270	48,731	0	0	26,209
Harbor, Tianjin	Binhai New District	51%	149,483	373,691	77,796	0	276,276
Jinlu, Tianjin	Binhai New District	95%	90,604	126,600	20,400	0	79,598
The Paradiso, Shenyang	Hunnan New District	100%	226,356	666,376	69,710	111,673	327,270
New Elm Mansion, Shenyang	Hunnan New District	100%	182,139	289,647	0	57,843	0
A Glamorous City, Shenyang	Yuhong	100%	156,817	297,026	416	57,429	416
Dayu Road Project, Shenyang	Yuhong	49%	190,156	339,550	140,341	0	339,550
2-A Dayu Road East, Shenyang	Yuhong	51%	135,464	270,928	0	0	270,928
Dream Town, Shenyang	Heping	49%	361,320	874,752	97,346	59,211	149,776
Jiyu International, Shenyang	Tiexi	100%	27,249	108,581	0	108,581	0
Gear Wheel Plant Project, Shenyang	Tiexi	70%	66,356	180,363	76,449	0	180,363
Sihai Logistic Project, Shenyang	Tiexi	100%	40,971	102,013	0	0	102,013
Tianqin Bay, Shenyang	Shenhe	55%	83,227	291,295	0	0	174,512
Chunhe Project, Shenyang	Shenhe	100%	81,378	392,500	79,601	0	392,500
Blue Mountain, Shenyang	Dadong	60%	74,527	232,043	56,288	0	100,919
8 Changbei, Shenyang	Changbai Heping	100%	120,333	360,999	124,185	0	360,999
Huisile East Project, Shenyang	Tiedong	100%	118,500	296,250	0	0	296,250
Rancho Phase II, Shenyang	Dongling	100%	43,334	21,245	0	21,245	0
Toudao Project, Shenyang	Dongling	70%	315,362	378,434	0	0	378,434
Rancho Santa Fe, Shenyang	Dongling	100%	344,366	111,539	0	7,709	0
South Lake Project,	Development	100%	135,000	391,100	50,724	0	391,100

Fushun	District						
Golden Home, Anshan	Tiedong	100%	48,874	97,969	0	0	0
Dream Town, Anshan	Gaoxin	100%	167,664	393,838	112,058	36,097	186,313
Huisile Project, Anshan	Tiedong	100%	303,700	414,816	87,742	85,909	284,459
A Glamorous City, Dalian	Ganjingzi	55%	195,526	404,240	26,914	142,932	26,914
Subsequent Projects of Glamorous City, Dalian	Ganjingzi	55%	20,474	44,272	44,272	0	44,272
Land Lot C, A Glamorous City, Dalian	Ganjingzi	100%	50,083	100,000	40,000	0	100,000
Land Lot D, E, A Glamorous City, Dalian	Ganjingzi	100%	68,797	129,822	77,280	0	129,822
Ravine Village, Dalian	Ganjingzi	55%	363,716	380,922	33,780	118,341	33,780
Habor, Dalian	Puwan New District	55%	757,350	1,253,300	125,000	0	1,253,300
City Garden, Dalian	Shahekou	100%	28,580	33,942	0	0	33,942
Huisili Project, Changchun	Jingyue	50%	399,715	484,714	108,420	0	417,282
Park Residence Project, Changchun	Chaoyang	100%	276,769	503,349	150,370	0	503,349
Yangpu Garden, Changchun	Economic Development Zone	100%	89,678	176,615	0	78,856	0
Waterside Villa (潭溪別墅), Changchun	Jingyue Development Zone	100%	75,000	49,016	0	12,663	0
Blue Mountain Project, Changchun	Erdao	100%	251,356	501,678	167,302	0	367,424
Binjiang Project, Jinlin	Jilin	65%	728,139	2,155,910	39,580	0	2,155,910
Wonderland, Qingdao	Jimo	55%	153,284	241,280	30,698	70,578	30,698
A Glamorous City, Qingdao	Chengyang	80%	200,289	340,491	51,604	55,544	51,604
City Garden, Qingdao	Chengyang	80%	130,873	231,647	63,370	87,146	114,913
Aureate City, Qingdao	Sifang	60%	61,873	179,756	0	62,612	0
Blue Mountain, Qingdao	Shibei	100%	68,153	204,459	71,112	0	127,783
Dream Town, Qingdao	Sifang	55%	154,607	395,794	86,600	0	305,344
Licang Project, Qingdao	Licang	100%	141,273	265,321	164,321	0	265,321
Dituan Project, Yantai	Zhifu	100%	311,614	444,065	0	0	367,441
Zhonglian Logistic Project, Yantai	Fushan	70%	190,281	361,220	0	0	361,220
<b>Sub-total</b>			<b>13,970,348</b>	<b>23,816,596</b>	<b>3,293,044</b>	<b>1,966,826</b>	<b>15,641,526</b>
<b>Chengdu region</b>							
Phase 1, Wulong Mountain, Chengdu	Xindu	100%	345,168	356,503	224,322	46,396	356,503
A Glamorous City, Chengdu	Chenghua	60%	308,501	761,258	65,567	137,662	137,470
The Paradiso, Chengdu	Chenghua	100%	56,293	293,504	0	0	0
Twin Riverside, Chengdu	Xindu	100%	267,347	338,203	0	0	0
Jinyu Xiling, Chengdu	Jinniu	60%	79,331	361,100	0	126,618	0
Golden Domain, Chengdu	Qingyang	100%	49,628	244,459	140,164	0	140,164
Jinrun Huafu, Chengdu	Jingjiang	100%	52,895	267,928	67,169	47,580	67,169

Golden Hairong, Chengdu	Wuhou	49%	54,970	234,125	100,648	0	100,647
Haiyue Huicheng, Chengdu	Shuangliu	90%	104,307	521,698	143,456	0	391,212
Golden Home, Wuhan	Jiangnan	100%	23,851	149,618	0	0	0
Element Integration, Wuhan	Jiangnan	55%	12,022	42,869	0	42,869	0
Golf City Garden, Wuhan	Dongxihu	49%	237,660	393,858	10,280	89,736	10,280
King Metropolis, Wuhan	Wuchang	55%	59,790	191,300	39,634	97,095	39,634
Dream Town, Wuhan	Jiangnan	100%	65,901	299,337	130,511	100,884	130,511
The Paradiso, Wuhan	Economic and Technological Development Zone	100%	213,440	533,600	175,817	0	372,945
Final phase of City Garden, Wuhan	East Lake High-Tech Development Zone	100%	230,970	349,607	163,440	83,012	163,440
Golden City, Wuhan	Hongshan	100%	135,600	470,000	148,176	0	370,837
Huanzi Lake, Wuhan	Jiangnan	100%	102,500	542,700	67,980	0	542,700
Tangjiadun, Wuhan	Jiangnan	50%	267,200	1,324,300	170,410	0	1,324,300
A Glamorous City, Wuhan	East Lake High-Tech Development Zone	100%	225,258	405,457	0	136,149	0
Yuyuan, Chongqing	Yubei	51%	229,581	344,372	39,248	122,671	63,573
Tixiangjun, Chongqing	Northern New District	100%	41,448	145,067	0	54,846	0
Yuefu, Chongqing	Northern New District	100%	138,071	376,737	124,678	23,178	283,949
Vanke Jincheng, Chongqing	Yuzhong	100%	105,463	533,486	261,583	147,450	270,491
Zhaomu Hill, Chongqing	Northern New District	55%	278,165	647,378	100,000	0	647,378
Xinde City, Xi'an	Yanta	100%	20,156	106,616	0	50,429	0
Jinyu Qujiang, Xi'an	Qujiang New District	55%	152,667	385,408	56,800	14,890	227,800
Dream Town, Chang'an, Xi'an	Chang'an	85%	176,056	614,377	270,117	0	475,301
King Metropolis, Guiyang	Xiaohe	51%	351,800	581,217	106,400	30,393	459,923
The Paradiso, Guiyang	Yunyan	100%	90,456	201,012	27,840	0	201,012
Golden Paradise, Kunming	Panlong	100%	104,724	267,084	0	0	103,972
Dew Garden, Baisha, Kunming	Panlong	100%	192,104	230,094	0	0	230,094
Liyushan Road Project, Urumqi	New District	100%	53,339	136,956	136,956	0	136,956
<b>Sub-total</b>			<b>4,826,662</b>	<b>12,651,228</b>	<b>2,771,196</b>	<b>1,351,858</b>	<b>7,248,261</b>
<b>Total</b>			<b>47,213,823</b>	<b>80,111,594</b>	<b>13,285,471</b>	<b>7,287,582</b>	<b>47,124,192</b>

### Special Remarks on Risk Factors:

The schedule for the commencement and completion of the above-mentioned projects may be adjusted due to the following factors:

- There may be changes in the macro economy and the property market or changes in the sale of an individual project;
- Approval requirements may be tightened by new rules and regulations such that the progress of application for permits will be slowed down, thereby affecting the schedule of project development;
- Progress in demolition and resettlement of related projects may affect the development schedule;

- d) Significant changes in weather conditions may affect the progress of project development, which in turn affect the schedule for completion;
- e) Impact of other unpredictable significant events on the construction progress of projects.

## 7. Fair value measurement and the holding of financial assets and financial liabilities in foreign currency

Fair value measurement:

Unit: RMB'000

Item	Balance at the beginning of the year	Gain/loss from changes in fair value during the year under review	Accumulated changes of fair value recognised in equity	Provision for diminution in value during the year under review	Disposal during the year under review	Balance at the end of the year under review
<b>Financial assets</b>						
Including:						
1. Financial assets measured at fair value, and changes of which are recorded in profit and loss during the period <sup>2</sup>	740.5	-	-	-	-740.5	-
Including: Derivative financial assets	740.5	-	-	-	-740.5	-
2. Available-for-sale financial assets	163,629.5	-	-	-	-158,865.9	4,763.6
<b>Sub-total of financial assets</b>	<b>164,370.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-159,606.4</b>	<b>4,763.6</b>
<b>Financial liabilities</b>						
	-	15,054.5	-	-	-	15,054.5
Investment properties	-	-	-	-	-	-
Productive biological assets	-	-	-	-	-	-
Others <sup>3</sup>	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-15,054.5</b>	<b>-</b>	<b>-</b>	<b>-159,606.4</b>	<b>-</b>

## Holding of financial assets and financial liabilities in foreign currency

Unit: RMB'000

Item	Balance at the beginning of the year	Gain/loss from changes in fair value during the year under review	Accumulated changes of fair value recognised in equity	Provision for diminution in value during the year under review	Balance at the end of the year under review
<b>Financial assets</b>					
Including:					
1. Financial assets measured at fair value, and changes of which are recorded in profit and loss during the period	740.5	-	-	-	-
Including: Derivative financial assets	740.5	740.5	-	-	-
2. Loans and accounts receivables	-	-	-	-	-
3. Available-for-sale financial assets	-	-	-	-	-
4. Held-to-maturity investment	-	-	-	-	-
Sub-total of financial assets	<b>740.5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>					
	-	15,054.5	-	-	15,054.5

Most of the above-mentioned items measured at fair value are legal person shares that have been held by the Company for a long time. Their value was low and they are being gradually disposed of. With respect to certain items, the Company refers to the control procedures for major investment projects: the Company's management reviewed and approved, within the scope of authority as conferred by the Board, the relevant items after they have been reviewed by the specialised departments with due diligence

## **VIII. Work Report of the Board of Directors**

### **(1) The Board held a total of five board meetings during 2010**

**A.** On 26 February 2010, the Eighth Meeting of the Fifteenth Board was held to consider and approve the following resolutions: the resolution regarding the appropriation and write-off of the provision for diminution in asset value for the year 2009; the audited financial report for the year 2009; the special remarks on the deposit and use of proceeds raised from previous fund-raising exercises during 2009; the internal control self-assessment report for the year 2009; the proposal on profit appropriation and dividend distribution for the year 2009; the resolution regarding the Company's 2009 annual report and its summary; the corporate social responsibility report for the year 2009; the resolution regarding the appointment of auditors for the year 2010; the resolution regarding the amendment of the Company's Articles of Association; the resolution regarding the convention of the 2009 Annual General Meeting. The related announcement was published in China Securities Journal, Securities Times, Shanghai Securities News and irasia.com, Hong Kong, respectively, on 2 March 2010.

**B.** On 23 April 2010, the Ninth Meeting of the Fifteenth Board of Directors was held to consider and approve the Company's first quarterly report and financial statements for the year 2010, and the resolution regarding the establishment of a system to make claims against those liable for material errors in annual report information disclosure. The related announcement was published in China Securities Journal, Securities Times, Shanghai Securities News and irasia.com, Hong Kong, respectively, on 27 April 2010.

**C.** On 6 August 2010, the Tenth Meeting of the Fifteenth Board of Directors was held to consider and approve the following resolutions: the interim report, financial statements and the summary of the interim report for the year 2010; and the resolution regarding the proposal on no profit appropriation or transfer of surplus reserve to share capital for the 2010 interim period. The related announcement was published in China Securities Journal, Securities Times, Shanghai Securities News and irasia.com, Hong Kong, respectively, on 10 August 2010.

**D.** On 10 August 2010, the Eleventh Meeting of the Fifteenth Board was held to elect Director Mr Qiao Shibo as Deputy Chairman of the Board and Independent Director Zhang Liping as a member of the investment and decision-making committee and remuneration and nomination committee. The related announcement was published in China Securities Journal, Securities Times, Shanghai Securities News and irasia.com, Hong Kong, respectively, on 11 August 2010.

**E.** On 21 October 2010, the Twelfth Meeting of the Fifteenth Board was held to consider and approve the third quarterly report and financial statements for the year 2010; the resolution regarding the creation of a comprehensive, long-term incentive mechanism and the establishment of A-Share Stock Option Incentive Scheme For Year 2010; the resolution regarding submitting to the shareholders' meeting for granting the Board the mandate to handle all the matters relating to the stock option incentive plan; the resolution regarding the measures for implementation and performance review of the stock option incentive plan. The related announcement was published in China Securities Journal, Securities Times, Shanghai Securities News and irasia.com, Hong Kong, respectively, on 25 October 2010.

### **(2) In 2010, the Board had conducted 6 votings by correspondence**

A. On 13 May 2010, the resolutions regarding Mr Song Lin's resignation as Director and Deputy Chairman of the Board and nomination of Mr Qiao Shibo as Director candidate and Mr Zhang Liping as Independent Director candidate were submitted for the Board's approval through voting by correspondence.

B. On 21 June 2010, the self-inspection report on standardization of financial and accounting basic tasks for the year 2010 was submitted for the Board's approval through voting by correspondence.

C. On 16 July 2010, the resolution regarding the convention of the First Extraordinary General Meeting of 2010 was submitted for the Board's approval through voting by correspondence.

D. On 31 August 2010, the resolution regarding the provision of counter guarantee for the relevant guarantee of Guangshengrong Company was submitted for the Board's approval through voting by correspondence.

E. On 1 November 2010, report on reform on the standardization of financial and accounting basic tasks for the year 2010 and self-inspection report on the establishment and implementation of an effective mechanism for the prevention of capital being used were submitted for the Board's approval through voting by correspondence.

F. On 20 November 2010, the resolution regarding the provision of counter guarantee for the relevant guarantee of Shenzhen Vanke Real Estate Co., Ltd. was submitted for the Board's approval through voting by correspondence.

The progress and important facts of the relevant issues were disclosed pursuant to requirements in China Securities Journal, Securities Times, Shanghai Securities News and irasia.com, Hong Kong.

### **(3) The Board's implementation of the resolutions approved at shareholders' meetings**

#### **The implementation of the proposal on dividend distribution for the year 2009**

Following the resolutions passed at the 2009 (21st) Annual General Meeting, the Board had proceeded with the implementation of the proposal on dividend distribution for 2009. The dividend distribution proposal for 2009 is as follows: for every 10 existing shares held, a cash dividend of RMB0.7 (including tax; after deducting tax, a cash dividend of RMB0.63 would be paid for every 10 existing shares beneficially held by individual shareholders, investment funds, and non-resident enterprises holding A shares; a cash dividend of RMB0.63 would be paid for every 10 existing shares beneficially held by non-resident enterprises holding B shares; other holders of B shares are not subject to taxation for the time being) would be paid. The record date and ex-dividend date for A share were 17 May 2010 and 18 May 2010 respectively. The last trading date, ex-dividend date and record date for B share were 17 May 2010, 18 May 2010 and 20 May 2010 respectively. The exchange rate for B share's cash dividend was HK\$1 = RMB0.8794, being the median price of the exchange rate of Hong Kong dollars for Renminbi published by the People's Bank of China on the first working day (24 March 2010) after the approval of the dividend distribution proposal at the Company's annual general meeting.

#### **(4) Specialised Committees' Performance of Duties**

The audit committee, the remuneration and nomination committee, as well as the investment and decision-making committee, had dutifully performed their duties, in accordance with the "Code of corporate governance for listed companies", "Articles of Association", and "Rules Governing the Procedures of Board Meetings" and the responsibilities and obligations as stipulated in the implementation details of the different specialised committees.

##### **A. Audit committee's performance of duties**

During the year under review, the audit committee held five audit committee meetings and communication meetings and conducted seven votings by correspondence. The audit committee considered the following

issues: the arrangement of audit duties, the periodical financial reports, proposal on profit appropriation, the appointment of audit firm, opinions on the management of audit firm, appropriation for and write-off of diminution in value, guarantee issues, establishment of an internal control system, etc, standardization of financial and accounting basic tasks. The audit committee also communicated with the auditors several times.

The audit committee actively performed its audit duties in 2010. Since the end of the year under review, the audit committee held two more meetings and communication meetings, supervised the auditors to strictly follow the audit schedule in order to ensure the audit could be completed as planned, reviewed the financial statements and provided feedback. It also considered and approved the appointment of auditors, internal control self-assessment report.

The audit committee concluded the audit performed by KPMG Huazhen Certified Public Accountants in 2010 as follows:

### **1. Preparation before auditing**

#### **i. Determination of audit schedule**

It took four months from pre-auditing, which commenced at the beginning of November 2010, up till the completion of preliminary auditing for the 2010 audit. Details of the work schedule are as follows:

1) November to December 2010: Pre-audit – to perform pre-audit of new acquisitions, new markets and selected regions based on their importance in 2010;

2 ) 10 January 2011: Started performing their audit in China Vanke’s office. On 25 February, the first draft of the 2010 Auditor’s Report was presented to the audit committee for review; and final draft of the Auditor’s Report was presented on 4 March.

#### **ii. Review of not-yet audited financial statements**

Before the auditors came in, the audit committee had reviewed, with due diligence, the financial statements prepared by the Company and provided their opinions in writing.

### **2. Audit process**

Starting from 10 January 2011, KPMG sent five different teams (for Shenzhen Region, Shanghai Region, Beijing Region, other areas and the Group as a whole) to perform audit for the Company’s headquarters and its subsidiaries.

During the auditing process, the audit committee supervised and made written requests to requested KPMG to arrange its audit work according to the audit work schedule, in order to ensure that the audit completed on time.

On 25 February 2011, KPMG submitted to the audit committee the 2010 Auditors’ Report and special remarks on “China Vanke Co., Ltd.’s Internal Control Self-Assessment Report (2010)”. On 4 March 2011, the Board meeting approved this item and the on-site audit performed by KPMG for the Company’s 2010 audit completed.

### **3. Audit results**

KPMG has issued its unqualified opinion for the 2010 Auditors’ Report and special remarks on “China Vanke Co., Ltd.’s Internal Control Self-Assessment Report (2010)”.

The audit committee is of the opinion that the audit performance of KPMG on the Company’s 2010 financial statements is satisfactory.

The audit committee resolved to propose to the Board for approval the re-appointment of KPMG Huazhen Certified Public Accountants to audit the Company’s 2011 financial statements according to the PRC and international accounting standards, and to present the internal control audit report according to the requirements of the regulatory bodies.

## **B. Remuneration and nomination committee’s performance of duties**

During the year under review, the remuneration and nomination committee held three meetings. The committee discussed and reviewed the adjustment to the remuneration and incentive package, revised the measures for administration of internal subscription for housing by staff, A-share stock option incentive plan (draft) and remuneration of senior management staff. The committee had maintained regular contact with the management and held several debriefing sessions where the management reported their work.

### C. Investment and decision-making committee's performance of duties

During the year under review, the investment and decision-making committee maintained regular contact with the management, fully understanding the Board's acquisition of projects within their scope of authority and convened several communication meetings to discuss the development of new projects and related matters on financing.

### 9. Profit Appropriation and Dividend Distribution Proposal

The Company's profit appropriation and dividend distribution was based on the Company's profit available for appropriation. Details on the profit available for appropriation of the Group and the Company in 2010 according to PRC Accounting Standards for Business Enterprises are as follows:

Unit: RMB

	The Group	The Company
Profit available for appropriation after taxation	15,320,149,201.99	3,097,103,376.12
Include: Net profit for 2010	7,283,127,039.15	3,083,108,153.24
Profit available for appropriation at the beginning of the year	8,808,398,744.05	785,371,804.09
Allocation of dividend for 2009	-769,664,715.26	-769,664,715.26

\*The significant difference between the profit of the Company and consolidated profit of the Group is attributable to the cost method used for recording investment in subsidiaries after the adoption of "Accounting Standards for Business Enterprises 2006". The appropriations made by the subsidiaries' legal persons to their statutory surplus reserve according to the Company Law were retained in the subsidiaries and the subsidiaries' profit for the year has yet to be appropriated to the Company.

According to the relevant rules and requirements of the Company's Articles of Association, and considering shareholders' interests and the Company's development needs in the long run, the Board of Directors submitted to the shareholders meeting the following profit appropriation proposal for the year 2010:

1. to appropriate 10 per cent of the net profit of the Company to statutory surplus reserve;
2. to appropriate 50 per cent of the net profit of the Company to discretionary surplus reserve;
3. to appropriate 40 per cent of the net profit of the Company and the unappropriated profit of last year for dividend distribution fund;

The allocation of the profit available for appropriation for the year 2010 is as follows:

Unit: RMB

	The Company	As a percentage of the Company's net profit for the year	As a percentage of the Company's consolidated net profit for the year
Net profit of 2010	3,083,108,153.24	100%	42.33%
Transfer to statutory surplus reserve	308,310,815.32	10%	4.23%
Transfer to discretionary surplus reserve	1,541,554,076.62	50%	21.17%
Transfer to 2010 dividend distribution fund	1,233,243,261.30	40%	16.93%
Profit available for appropriation at the beginning of the year	15,707,088.83	-	-
Distribution of cash dividend for 2010	1,099,521,021.80	-	-
Retained profit for appropriation for the following financial year	149,429,328.33	-	-

The Company's distribution of cash dividends for the past three years:

Unit: RMB

Year	Cash dividend (before tax)	Net profit attributable to the Company	Consolidated net profit attributable to the Company	As a percentage of the net profit attributable to the Company	As a percentage of the consolidated net profit attributable to the Company	Consolidated profit available for appropriation for the year
2009	769,664,715.26	2,874,475,278.28	5,329,737,727.00	26.78%	14.44%	10,964,255,202.76
2008	549,760,510.90	1,582,019,762.35	4,033,170,027.89	34.75%	13.63%	7,370,792,808.42



2007	687,200,638.70	1,727,621,268.51	4,844,235,494.21	39.78%	14.19%	5,026,288,447.07
Accumulated cash dividend in the past 3 years as a percentage to the average consolidated net profit of past three years				<b>42.37%</b>		

**Dividend distribution proposal:** A cash dividend of RMB1.0 (before tax) will be distributed for every 10 existing shares held.

Based on the total share capital of 10,995,210,218 shares as at 31 December 2010, the total amount of cash dividends for distribution for 2010 will be RMB1,099,521,021.80.

## 10. Media for Disclosure of Information

The Company has chosen China Securities Journal, Securities Times, Shanghai Securities News and an English media in Hong Kong as media for disclosure of information.

## IX. Report of Supervisory Committee

2010 marked the year where the Sixth Supervisory Committee completed its mission and the Seventh Supervisory Committee began its new tenure.

During the year under review, the Supervisory Committee performed their duties with due diligence, safeguarded the interests of the Company, shareholders and staff, in accordance with the requirements of the Company Law, the Articles of Association, and the relevant regulations of the Company. The major duties of the Supervisory Committee are as follows:

### 1. Supervisory Committee Meetings and Resolutions of Such Meetings

In 2010, a total of five meetings were held by the Supervisory Committee. The details of the meetings and resolutions are as follows:

(1) The Thirteenth Meeting of the Sixth Supervisory Committee was held on 26 February 2010. The meeting considered and approved the resolution regarding the appropriation and write-off of the provision for diminution in asset value for the year 2009; the audited financial report for the year 2009; the special remarks on the deposit and use of the proceeds raised from previous fund-raising exercises during 2009; special remarks on the use of proceeds raised from previous fund-raising exercises; the internal control self-assessment report for the year 2009; the proposal on profit appropriation and dividend distribution for the year 2009; the report of the Supervisory Committee for the year 2009; the Company's 2009 annual report; the resolution regarding the appointment of certified public accountants for the year 2010; the resolution regarding the amendment of the Company's Articles of Association and the resolution regarding the nomination of candidates for the Seventh Supervisory Committee – nomination of Ding Fuyuan and Wu Ding as candidates for Shareholders Representative Supervisor and submission of such nomination to the shareholders' meeting for consideration; and the resolution regarding the convention of the 2009 Annual General Meeting.

(2) The 2010 Annual General Meeting held on 23 March 2010 elected Ding Fuyuan and Wu Ding as Shareholders Representative Supervisors who together with Mr Zhou Qingping, who was elected by democratic election by the Company's Staff Committee as the Staff Representative Supervisor, formed the Seventh Supervisory Committee. On the same day, the First Meeting of the Seventh Supervisory Committee elected Ding Fuyuan as chairman of the Seventh Supervisory Committee.

(3) The Second Meeting of the Seventh Supervisory Committee was held on 23 April 2010. The meeting considered and approved the Company's 2010 first quarterly report and financial statements.

(4) The Third Meeting of the Seventh Supervisory Committee was held on 9 August 2010. The meeting considered and approved the resolution regarding the Company's 2010 interim report, its summary and financial statements; the resolution regarding the proposals of no dividend distribution and transfer of capital surplus reserve to share capital for the 2010 interim period.

(5) The Fourth Meeting of the Seventh Supervisory Committee was held on 21 October 2010. The meeting considered and approved the Company's 2010 Third Quarterly Report and establishment of the A-Share Stock Option Incentive Scheme For Year 2010

### 2. Inspection Tours by the Supervisory Committee

To strengthen control over internal risks, the Supervisory Committee, in line with the Company's internal control development, conducted inspections in various aspects and further intensified inspection of front-

line companies. During the year under review, the Supervisory Committee examined the Articles of Association, sales, financial items, etc, as well as conducted inspection tours of companies in different cities. Through training, on-site investigation, individual interviews, group meetings, concluding debriefing, the Supervisory Committee had inspected and supervised the risk control in various aspects of the core business, discipline of management staff, implementation of the Company's development strategy, and protection of employees' interests.

The Supervisory Committee also arranged inspection tours for certain directors to companies in Chengdu, Xi'an, etc. During the tours, they focused on examination of these companies' financial situation, development of major projects, progress of implementation of business plans, protection of employees' interests, participation in public welfare activities, thereby gaining a thorough understanding of the operation and development of the Company in different cities.

### **3. Independent Opinions of the Supervisory Committee on Certain Issues of the Company**

(1) Statutory compliance: During the year, members of the Supervisory Committee attended every Board meeting, supervised the Company's operation through reviewing reports, examination of various items and on-site inspection. The Supervisory Committee is of the opinion that the Company's decision-making process had been regulated, internal control effective and corporate governance structure further improved. In 2010, the directors and senior management team of the Company diligently carried out their duties, and none of their acts had violated the law, regulations, the Company's Articles of Association, nor had they prejudiced the Company's, shareholders' and employees' interests. The Supervisory Committee had reviewed the Company's internal control self-assessment report for the year 2010 and was of the view that the report reflected the actual situation of the Company's corporate governance and internal control and therefore had no objection to it.

(2) Financial monitoring: During the year under review, the Supervisory Committee diligently performed its duty of monitoring the Company's financial situation and provided audited opinions to each regular report. The Supervisory Committee is of the opinion that the financial report reflects a true and accurate view on the Company's financial position and operating results. The auditor's report issued on the Company's annual financial report by KPMG Huazhen Certified Public Accountants is objective and non-biased.

(3) Use of proceeds from fund raising exercises: Through reviewing financial statements, inspecting investment projects, etc, the Supervisory Committee had tracked and inspected the use of proceeds raised from the subsequent offer of A shares in 2007. The Supervisory Committee is of the opinion that the proceeds had been used appropriately and the actual investment amount in various projects were in line with the amount undertaken in the prospectus.

(4) Stock incentive plan: In 2010, the Supervisory Committee oversaw the implementation of Phase One Restricted Stock Incentive Plan, and examined the procedures for drafting the Company's 2010 Stock Option Plan, its contents and beneficiaries of the plan, and is of the opinion that the requirements set for determining a qualified beneficiary are legal and effective.

(5) Major asset acquisitions and disposals as well as connected transactions: In 2010, the Company did not have any major asset acquisitions and disposals, nor any connected transactions.

(6) The Supervisory Committee noticed that the Company's headquarters streamlined management and simultaneously strengthened its workforce in 2010. Class One departments shrank from 15 at the end of 2009 to 11; the number of employees was trimmed from 289 at the end of 2009 to 175. Such strategy not only produced outstanding results, but also provided many high calibre persons to front-line companies.

After the achievement of a RMB100 billion sales, the Company gears itself up for new challenges in 2011. The new session of the Supervisory Committee will, as the previous sessions, continue to expand its scope of work, be active in response, and fully leverage its capacity to effectively safeguard shareholders' interest.

## **X. Significant Events**

### **1. Material Litigation and Arbitration**

During the year under review, the Company did not involve in any material litigation or arbitration.

## 2. Major Acquisition and Disposal of Assets

During the year under review, the Company did not have any major acquisition and disposal of assets.

## 3. Major Connected Transactions

During the year under review, the Company did not have any major connected transactions.

## 4. Stock Incentive Plan

### A. Implementation of Phase One Restricted Stock Incentive Plan

As the incentive plan for year 2007 under Phase One Restricted Stock Incentive Plan did not meet the condition for stock price performance target, the termination of the incentive plan was confirmed in the announcement dated 5 January 2010. All of the 46,551,761 Vanke A shares held by the incentive plan for year 2007 were sold on the secondary market within the tradable window period. The total amount of funds, together with the accrued interest, under the incentive plan for year 2007, in an aggregate amount of RMB468,728,083.89 was transferred to the Company's designated account during the reporting period. Termination of the implementation of the incentive plan for year 2007 was completed. The implementation of Phase One Restricted Stock Incentive Plan had completed.

### B. Implementation of A-Share Stock Option Incentive Scheme For Year 2010

To increase shareholder interests orientation, to create a comprehensive, long-term incentive mechanism, and to enhance corporate governance, the Company announced on 25 October 2010 the A-Share Stock Option Incentive Scheme For Year 2010 (Draft) after it was considered by the Twelfth Meeting of the Fifteenth Board. The relevant plan is still subject to CSRC's filing for record without dispute and submission to a shareholders meeting for consideration and approval.

## 5. Major Contracts and Their Implementation

(1) During the year under review, the Company was not entrusted with and did not sub-contract or lease any material assets from other companies, nor were any material assets of the Company put under the custodial management of, subcontracted or leased by other companies.

(2) Details on the new guarantees made by the Company during the year under review are as follows:

No.	Guarantor (% of equity interest held by China Vanke )	Company for which guarantee was granted (% of equity interest held by China Vanke )	Guarantee amount	Remarks	Guarantee Period
1	Chengdu Vanke Real Estate Co., Ltd. (100%)	Chengdu Yihang Vanke Binjiang Real Estate Development Co., Ltd. (49%)	RMB19.50 million	Provided a guarantee in proportion to the Company's equity holding (15%) for a bank loan of RMB130 million	From 16 March 2010 to 21 December 2012
2	Zhejiang Vanke Nandu Real Estate Co., Ltd. (100%)	Hangzhou Wan Kun Property Co., Ltd. (51%)	RMB17,352,000	Provided a guarantee in proportion to the Company's equity holding (51%) for a letter of guarantee of RMB34.023 million	From 30 June 2010 to 30 December 2011
3	Chengdu Vanke Real Estate Co., Ltd. (100%)	Chengdu Yihang Vanke Binjiang Real Estate Development Co., Ltd. (49%)	RMB13.50 million	Provided a guarantee in proportion to the Company's equity holding (15%) for a bank loan of RMB90 million	From 18 August 2010 to 21 December 2012
4	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Shenzhen Guangshengrong Investment Co., Ltd. (90%)	RMB8,692,550	Provided a counter guarantee for a letter of guarantee of RMB8,692,550 for fulfillment of contract	From 27 September 2010 to the 30 days after the date of completion of initial registration of the ownership of the public facilities included in the redevelopment project that are transferred to the government
5	Beijing Vanke Company Limited	Changchun Vanke Jingcheng Real Estate	RMB993 million	Provided a guarantee for a loan of RMB993	From 10 November 2010 to 9 May 2012

	(100%)	Development Co., Ltd. (10%)		million	
6	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Shanghai Vanke Real Estate Co., Ltd. (100%)	RMB800 million	Provided a guarantee for a loan of RMB800 million	From 16 November 2010 to 5 November 2012
7	China Vanke Co., Ltd.	Shenzhen Vanke Real Estate Co., Ltd. (100%)	RMB120 million	Provided a counter guarantee for a letter of guarantee of RMB120 million for fulfillment of contracts	From 25 November 2010 to 1 September 2012
8	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Shanghai Vanke Real Estate Co., Ltd. (100%)	RMB800 million	Provided a guarantee for a loan of RMB800 million	From 10 December 2010 to 7 December 2012

During the year under review, the new amount of guarantees (including counter guarantees) made by the Company and its subsidiaries was RMB2,772 million, and the amount of guarantees withdrawn was RMB800 million. As at the end of the year under review, the outstanding amount of guarantees made by the Company was RMB3,213 million, accounting for 7.26 per cent of the Company's net assets. The outstanding amount of guarantees made by the Company and its majority-owned subsidiaries for other majority-owned subsidiaries was RMB2,172 million, the outstanding amount of guarantees made by the Company and its majority-owned subsidiaries for associated and joint venture companies was RMB1,041 million. As at the end of the year under review, the Company and its majority-owned subsidiaries did not have any external guarantees.

During the year under review, the Company did not provide guarantee for shareholders, beneficial controller and its connected parties, nor did it, directly or indirectly, provide guarantee for companies with an assets/liabilities ratio exceeding 70 per cent.

(3) During the year under review, the Company did not have any entrustment of financial management.

(4) For details on the projects acquired by the Company during the year under review, please refer to "Project investment" under the "Use of capital not from the capital market" section.

## **6. Specific elaboration and independent opinions of the independent directors on the use of capital and external guarantees by connected parties**

There had been no non-operational use of capital by the controlling shareholder or other connected parties of the Company.

During the year under review, the Company, in strict compliance with the related rules, regulated its external guarantee activities in order to control risks. There was no violation against the "Notice regarding the regulation of external guarantees by listed companies". The Company's guarantees had been made to meet its production and operational needs and the requirements for reasonable use of capital. The procedures for the determination of providing guarantees are legal and reasonable, without prejudice to the interests of the Company and its shareholders.

## **7. Implementation of the undertakings given by the Company or shareholders holding 5% or more of the equity interests in the Company**

CRNC – the parent company of CRC, being the Company's original single largest shareholder and the present single largest shareholder, gave a significant undertaking to the Company in 2001: CRNC would provide as much support to the Company as it did in the past, as long as such support was beneficial to the Company's development, and that it would remain impartial in the event of any competition between the investment projects of the Company and that of CRNC and its subsidiaries, and in the event of any disagreements or disputes arising from horizontal competition. CRNC had fulfilled its undertaking.

## **8. Interaction with investors**

In 2010, the Company maintained close contact with its investors. During the year, the Company received close to 600 investor visits, participated in 68 large-scale investor meetings organized by both domestic and international corporations. The Company also organised 4 investor meetings and 2 online presentations. In

addition, via telephone and e-mail, the Company communicated with and gathered opinions from investors, as well as disseminated information about the Company. Trust had been built between the Company and its investors.

In 2010, the Company was named among the 10 Best IR Companies by Nanjing University and Research Centre for Investor Relations Management of Listed Companies in China. The Company was named the Most Sustainable Listed Company in China's Securities Market in the Past 20 Years and Investors' Most Favourite Listed Company, while the Company's secretary to the Board was awarded China's Best Value Creation IR Award in a selection organized by the Centre for Research on the Market Value Management in Chinese Listed Companies, China Securities Journal, Shanghai Securities News and Securities Times. In the "Top 100 Most Valuable Listed Companies on the Main Board in China" selection organized by Securities Times, the Company was named among the Top 100 Most Valuable Listed Companies in China, while the Company's secretary to the Board was named among the Top 100 Secretaries to the Board of Listed Companies on the Main Board in China.

Details on the Company's investor meetings in 2010:

Type of meeting	Date	Location	Approach	Classification of visitors	Issues discussed and information provided
China Jiayin Investment Securities meeting	2010.1	Shenzhen	Face to Face Meeting	Investors including securities companies, funds, etc	(I) Major issues discussed: (1) The Company's daily operations; (2) The Company's development strategies; (3) The Company's opinion on the changes in the industry.  (II) Major information provided: Published information including the Company's regular reports.
China Galaxy Securities meeting	2010.1	Beijing	Face to Face Meeting	Investors including securities companies, funds, etc	
Deutsche Bank meeting	2010.1	Beijing	Face to Face Meeting	Investors including securities companies, funds, etc	
UBS meeting	2010.1	Shanghai	Face to Face Meeting	Investors including securities companies, funds, etc	
HSBC meeting	2010.1	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc	
Annual results presentation	2010.3	Hong Kong, Shenzhen ( Shanghai, Beijing )	Face to Face Meeting	Investors including securities companies, funds, individual investors, etc	
CLSA meeting	2010.3	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc	
Credit Suisse Securities meeting	2010.3	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc	
BNP meeting	2010.3	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc	
Daiwa Securities meeting	2010.3	Tokyo	Face to Face Meeting	Investors including securities companies, funds, etc	
Credit Suisse Securities meeting	2010.3	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc	
Macquarie meeting	2010.4	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc	
Daiwa Securities meeting	2010.4	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc	
Deutsche Bank meeting	2010.5	Singapore	Face to Face Meeting	Investors including securities companies, funds, etc	
Morgan Stanley meeting	2010.5	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc	
BOC International meeting	2010.5	Qingdao	Face to Face Meeting	Investors including securities companies, funds, etc	
CLSA meeting	2010.5	Shanghai	Face to Face Meeting	Investors including securities companies, funds, etc	
Shenjin Wanguo meeting	2010.5	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc	

Great Wall Securities meeting	2010.5	Beijing	Face to Face Meeting	Investors including securities companies, funds, etc
UBS meeting	2010.5	Huhhot	Face to Face Meeting	Investors including securities companies, funds, etc
China Jiayin Investment Securities meeting	2010.5	Shanghai	Face to Face Meeting	Investors including securities companies, funds, etc
Essence Securities meeting	2010.6	Beijing	Face to Face Meeting	Investors including securities companies, funds, etc
JP Morgan meeting	2010.6	Beijing	Face to Face Meeting	Investors including securities companies, funds, etc
Everbright Securities meeting	2010.6	Shenzhen	Face to Face Meeting	Investors including securities companies, funds, etc
Guosen Securities meeting	2010.6	Shenzhen	Face to Face Meeting	Investors including securities companies, funds, etc
Changjiang Securities meeting	2010.6	Yichang	Face to Face Meeting	Investors including securities companies, funds, etc
Credit Suisse Securities meeting	2010.6	Shanghai	Face to Face Meeting	Investors including securities companies, funds, etc
Guotai Junan meeting	2010.6	Qingdao	Face to Face Meeting	Investors including securities companies, funds, etc
CITIC Securities meeting	2010.7	Qingdao	Face to Face Meeting	Investors including securities companies, funds, etc
BNP meeting	2010.7	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc
Credit Suisse Securities meeting	2010.7	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc
CLSA meeting	2010.7	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc
CITIC Securities meeting	2010.7	Shenzhen	Face to Face Meeting	Investors including securities companies, funds, etc
Interim results presentation	2010.8	Hong Kong, Shenzhen ( Shanghai, Beijing )	Face to Face Meeting	Investors including securities companies, funds, individual investors, etc
Credit Suisse Securities meeting	2010.8	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc
BNP meeting	2010.8	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc
Shenjin Wanguo meeting	2010.8	Beijing	Face to Face Meeting	Investors including securities companies, funds, etc
Guotai Junan meeting	2010.8	Shenzhen	Face to Face Meeting	Investors including securities companies, funds, etc
Nomura Securities meeting	2010.9	Tokyo	Face to Face Meeting	Investors including securities companies, funds, etc
CITIC Securities meeting	2010.9	Dongguan	Face to Face Meeting	Investors including securities companies, funds, etc
UBS meeting	2010.9	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc
CLSA meeting	2010.9	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc
BNP meeting	2010.10	Guilin	Face to Face Meeting	Investors including securities companies, funds, etc
Goldman Sachs meeting	2010.11	Beijing	Face to Face Meeting	Investors including securities companies, funds, etc

Merrill Lynch meeting	2010.11	Beijing	Face to Face Meeting	Investors including securities companies, funds, etc
Morgan Stanley meeting	2010.11	Singapore	Face to Face Meeting	Investors including securities companies, funds, etc
Qilu Securities meeting	2010.11	Shanghai	Face to Face Meeting	Investors including securities companies, funds, etc
Shenjin Wanguo meeting	2010.11	Sanya	Face to Face Meeting	Investors including securities companies, funds, etc
CLSA meeting	2010.11	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc
Samsung Securities meeting	2010.11	Guangzhou	Face to Face Meeting	Investors including securities companies, funds, etc
Macquarie meeting	2010.11	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc
Everbright Securities meeting	2010.12	Beijing	Face to Face Meeting	Investors including securities companies, funds, etc
China Galaxy Securities meeting	2010.12	Beijing	Face to Face Meeting	Investors including securities companies, funds, etc
Huatai United Securities meeting	2010.12	Shenzhen	Face to Face Meeting	Investors including securities companies, funds, etc
Guangfa Securities meeting	2010.12	Shenzhen	Face to Face Meeting	Investors including securities companies, funds, etc
Standard Chartered meeting	2010.12	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc
China Merchants Securities meeting	2010.12	Shenzhen	Face to Face Meeting	Investors including securities companies, funds, etc
China Jiayin Investment Securities meeting	2010.12	Shenzhen	Face to Face Meeting	Investors including securities companies, funds, etc
Essence Securities meeting	2010.12	Shenzhen	Face to Face Meeting	Investors including securities companies, funds, etc
CITIC Securities meeting	2010.12	Guilin	Face to Face Meeting	Investors including securities companies, funds, etc
HuaChuang Securities meeting	2010.12	Shenzhen	Face to Face Meeting	Investors including securities companies, funds, etc
Guosen Securities meeting	2010.12	Beijing	Face to Face Meeting	Investors including securities companies, funds, etc
Haitong Securities meeting	2010.12	Shanghai	Face to Face Meeting	Investors including securities companies, funds, etc
Note: The above-mentioned meetings included one-on-one meetings, small group meetings and large group presentation. The Company received or met with investors from over 50 companies.				

Securities companies	During the year under review	Shenzhen, Guangzhou, Dongguan, Foshan, Zhongshan, Zhuhai, Xiamen, Fuzhou, Changsha, Haikou, Sanya, Shanghai, Nanjing, Suzhou, Hangzhou, Wuxi, Ningbo, Beijing, Tianjin, Shenyang, Dalian, Anshan, Changchun, Qingdao, Wuhan, Chengdu, Chongqing, Xian, Kunming etc.	Small group or one-on-one	Shenjin Wanguo, CLSA, South West Securities, Citi, Huatai United Securities, Changjiang Securities, UBS, CICC, Bohai Securities, Daiwa Securities, Everbright Securities, China Galaxy Securities, Credit Suisse Securities, Essence Securities, China Jianyin Investment Securities, ABN Amro Bank, JP Morgan, Merrill Lynch, RBS, Morgan Stanley, Great Wall Securities, Mitsubishi UFJ Securities, Goldman Sachs Gaohua, CITIC Securities, Guangfa Securities, CSC Securities, Nomura Securities, Deutsche Bank, Macquarie, Hong Kong First Shanghai Securities Co., Nanjing Securities, Computershare, Meiwa Securities Co., Ltd, 82 Securities Co., Ltd, CEBM Group Ltd., Nikko Cordial Securities Inc., Orient Securities, Qilu Securities, Master Link Securities, Daewoo Securities, Guosen Securities, Guotai Junan, Sinolink Securities, KGI Securities, Huatai Securities, BNP, Piper Jaffray Asia Securities Limited, Phillip Securities Group, DBS Vickers, Aviate Global, Auerbach Grayson, Samsung Securities, and Yuanta Securities, CIMB, Keefe, Bruyette & Woods etc.	
Funds and other investment companies and individual investors	During the year under review	Shenzhen, Guangzhou, Dongguan, Foshan,, Zhongshan, Zhuhai, Xiamen, Fuzhou, Changsha, Haikou, Sanya, Shanghai, Nanjing, Suzhou, Hangzhou, Wuxi, Ningbo, Beijing, Tianjin, Shenyang, Dalian, Anshan, Changchun, Qingdao, Wuhan, Chengdu, Chongqing, Xian, Kunming etc.	Small group or one-on-one	China AMC, Taikang Life, Yinhua Fund, China Universal Fund, First-Trust Fund, China Merchants Fund, Penghua Fund, Bank of Communications Schroders Fund, Cephei Investment, CCB Principal Asset Management, E Fund, Congrong Investment, Rongtong Fund, Boseru Fund, Hanwha Securities Co., Ltd, Fullgoal Fund, BOCGI, China Taiping Insurance, Fuh Hwa Securities Investment Trust, Franklin Templeton Sealand Fund, SYWG BNP Paribas Asset Management, Fortune SGAM Fund, Allianz Fund, Zeal Asset Management Limited, Shanghai Hao Tong Investment Consulting Co., Ltd, Shenzhen Huize Zhangfu Investment consulting Co, Perry Capital, Government of Singapore Investment Corporation Pte Ltd, Harvest Fund, Changsheng Fund, Invesco Great Wall Fund, Wanjia Asset Management, Manulife Teda Fund, Orient Securities Asset Management Company Limited, Tianhong Fund, Orient Fund, Southern Fund, Fortis Haitong Fund, Hua An Fund, Huashang Fund , ING Fund, Capital Fund, Sinopac Sinc Fund, HSBC Fund, Invesco Great Wall Fund, Fubon Fund, Shin Kong Life Insurance, Mercuries Life Insurance, TransGlobe Life, KDB bank, Japan Taiyo Life Insurance Company, Great Wall Fund, Lion Fund, Baoying Fund, Changjiang Pension, Shanghai Fortune Investment Co., Ltd., Avenue Capital, Caxton Associates, GSI Management Limited, Wellington, University of Pennsylvania, Orange Capital, Merchant GatesLaSalle Investment Management, Deutsche Asset Management, T. Rowe Price International, JF Asset Management,	



				<p> Martin Currie Investment Management, Grand River Investments, First State Investments, Oaktree Capital Management, Western Asset Management, Keefe Bruyette &amp; Woods, Mitsubishi UFJ Asset Management, Ballie Gifford, Duquesne Capital Mgt, Pyrford International, Christensen, Pictet Asset Management, Goldman Sachs Principal Strategies, Chugoku Bank, Robeco, Clairvoyance Capital, Morgan Stanley Asset Mgt, AllianzBerstein, Weitz Funds, Partner Funds, Tiger Asia Asset, Hamblin Watsa, Henderson TR Pacific, One Investment &amp; Trinity Street, Jupiter, State Teachers Retirement System of Ohio, Broad Peak Investment Advisers Pte Ltd., BT Investment Management, GMO, Invesco Hong Kong Limited, GLG Partners, Capital research, NPJ Asset Management, Algebris, Lazard Asset Management, Mondrian, Baring Assets, Abu Dhabi Investment Authority, Chuo Mitsui Investment, BSI Generale, DBS AM, HT Capital, PHEIM, Chilton Investment Company, The Blackstone Group, Cadwalader, Wickersham &amp; Taft, William McAree Investment Partners, TT International, Boyer Allan, Noondays, Moore Capital, Buenavista Fund, Bennelong Asset Management, Harvest Global Investments, Standard Life Investments, Blue Ridge Capital LLC, Baillie Gifford, Penta, Spinner Asset Management, Tuboron Partners, Highbridge, AMP, Perpetual, Och-Ziff, Trivest, Prudential, Waddell &amp; Reed, NSSF, BOC Group Life Assurance, EMIC, JTM Capital Partners, Tudor Investments Corporation, Tantallon Capital, Resolution Capital, Colonial First State, Cathay Life, Kingdon Capital, Neuberger Berman, Mount Kellett Capital, Sumitomo Mitsui Asset, Clough Capital Partners, Absolute Asia Asset Management, Pedder Capital, Legatum, DWS Investment, APG Asset Management, TCW Capital, Hillhouse, AEW Global, Lone Pine Capital, AB Growth, Argyle Street, 28 Holdings, Target AM, Meridian AM, Joho Capiatl, Genesis Investment Management Ltd, Overlook Investment Inc, Rexiter, Threadneedle, Alpine Woods Capital, Azimut, Presima Inc, Alkeon Capital, APG Asset Management, Fullerton Fund Management, etc, Noonday Asset Management, Equinox Partners, Highbridge, LaSalle, Primero Asset Mgmt, Pacific Eagle, UOB AM, DBS Asset Mgmt, Winnington, VL AM, Nomura Asset Management, Emerging Markets Management L.L.C., Value Partners, Public Mutual Investment Management, FrontPoint Partners, William Blair, Marsico Capital Mgmt., </p>
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				Mason Capital Mgmt LLC, RHG Capital LP, WRA Invs LLC, Brandes Investment Management, Maverick Capital, RCM Asia Pacific, Keywise, Brevan Howard, SunAmerica, Blackrock, Thornburg Investment, Northern Trust, AP3, Franklin Templeton, Mapple Brown Abbott, Perennial Value, ING Investment Management, EXANE, DEXIA, SANDERSON AM, PIONEER, BRUMMER, SAC GLOBAL, NEW JERSEY INVESTMENT, DIAM Asset Mgmt, GE Capital Management, Brown University Asset Management, Ward Ferry Management Ltd, TY Advisor, Newport Asia LLC, US Steel Corp, Moore Capital, and Third Avenue Management, etc.	
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### 9. Corporate bonds and related matters

The Shenzhen Branch of China Construction Bank Corporation (authorised by the headquarters) provided an unconditional and irrevocable joint liability guarantee for the full payment of the principal and interest of the secured corporate bonds, 08 Vanke G1, issued by the Company. During the year under review, the guarantor continued to be profitable, with sound assets structure, and there was no significant change in its credit status.

During the year under review, the Company paid the second-year interest on 08 Vanke G1 and 08 Vanke G2. Pursuant to the tracked ratings of the Company's bonds by China Chengxin Securities Rating Co., Ltd (中诚信证券评估有限公司), 08 Vanke G1 and 08 Vanke G2 were rated AAA and AA+ respectively. The Company's overall corporate credit rating was AA+, and the rating outlook was raised from stable to positive. During the year under review, the Company had maintained a good credit standing.

Citic Securities Co., Ltd., the trustee of the Company's corporate bonds, is of the opinion that: China Vanke has a healthy operation and good credit standing, with strong capacity to meet its financial obligation. The principal and interest payments for this bond issue are safe.

### 10. Other investments

#### 10.1 Investment of securities

No.

#### 10.2 Equity interests held in other listed companies

Stock code	Stock abbreviation	Initial investment amount	Percentage of shareholdings	Booked value as at the end of the year under review	Gains/(losses) during the year under review	Changes in equity attributable to equity holders during the year under review
000001	Shenzhen Development Bank Co., Ltd – A	-	-	-	43,480,910.81	(61,866,882.60)
600697	Changchun Eurasia Group Co., Ltd	-	-	-	44,208,569.16	(40,907,808.62)
600680	Shanghai Potevio Co., Ltd.	-	-	-	28,385,052.13	(32,361,871.93)
600751	SST Tianjin Marine Shipping Co., Ltd.	143,600.00	0.04%	143,600.00	-	-
<b>Total</b>		<b>143,600.00</b>	<b>-</b>	<b>143,600.00</b>	<b>116,074,532.10</b>	<b>(135,136,563.15)</b>

Note:1. The above-mentioned equity interests are legal person shares of the Company over the years. Up till now, the SST Tianjin Marine Shipping Co., Ltd has not undergone share reform;

2. During the year under review, all equity interests held in Shenzhen Development Bank Co., Ltd – A, Changchun Eurasia Group Co., Ltd, and Shanghai Potevio Co., Ltd. by the Company were disposed. Gains from the disposal of the equity interests have been recognised as “investment income”.

### 10.3 Shareholding of non-listed financial corporations and companies planning for listing No.

### 10.4 Investment in derivatives

Remarks on risk analysis and management of derivative positions during the year under review (including but not limited to market risk, liquidity risk, credit risk, operational risk and legal risk, etc.)	In order to limit the risk associated with the fluctuations of interest rate, the Company entered into an interest rate swap (“IRS”) agreement to hedge floating rate foreign currency loan. The Company would charge the counterparty an interest according to a floating rate, in order to pay the floating-rate interest to the original lender, while paying a fixed rate to the counterparty. In terms of the time limit and amount of foreign currency loan, IRS limited the risk of fluctuations of interest rate through fixed forward rate.
Change in market price or fair value of the derivatives invested during the year under review, as well as the method, related assumptions and parameters used to analyse the fair value of derivatives should be disclosed	The effect of the change in the IRS value on the Company’s profit or loss during the year under review amounted to RMB(15,054,493.43). The value of the IRS was determined based on the fair value assessed on 31 December 2010
Remarks on whether there has been a material change in the accounting policy and accounting measurement principles for the Company’s derivatives during the year under review as compared with those of the previous reporting year	Nil
Special advice on derivative investment and risk control by independent directors, sponsors or financial advisors	The Company’s independent directors are of the view that financial instruments such as IRS prevent the possible loss associated with foreign currency loan in the event of significant fluctuations in interest rate. The relevant arrangement of the Company has been prudent and reasonable.

### Derivative positions as at the end of the year under review

Unit: RMB’000

Type of contracts	Contract amount as at the beginning of the year	Contract amount as at the end of the year	Profit/loss during the year under review	Contract amount as at the end of the year as a percentage of the Company’s net assets as at the end of 2010 (%)
Interest rate swap (IRS) agreement	462,610.55	1,249,109.39	-15,054.49	2.82
<b>Total</b>	462,610.55	1,249,109.39	-15,054.49	2.82

### 11. Was there any use of the Company’s funds by the controlling shareholder and other related parties for non-operation purpose?

There had not been any use of the Company’s funds by the controlling shareholder and other related parties for non-operation purpose.

### 12. Appointment and termination of certified public accountants

The 2009 Annual General Meeting resolved to confirm the appointment of KPMG Huazhen Certified Public Accountants as the Company’s auditors for the year 2010. The following table shows the details on the appointment of the certified public accountants of the Company:

Audited item	2010		Year of service	2009	
	Auditor	Audit fee		Auditor	Audit fee

The Group's consolidated financial statements prepared in accordance with the PRC Accounting Standards for Business Enterprises	KPMG Huazhen Certified Public Accountants	RMB7,350,000.00	10 years	KPMG Huazhen Certified Public Accountants	RMB6,800,000.00
The Group's consolidated financial statements prepared in accordance with the IFRS			18 years		

The above-mentioned audit fee included the travelling expenses incurred during the auditing period.

**13. There was no disciplinary action taken against the Company nor its Directors, members of Supervisory Committee and senior management during the year under review**

**XI. Chronology of 2010**

On 4 February 2010, the Company, Shanghai Environment Energy Exchange and China Quality Certification Centre entered into an agreement, pursuant to which a voluntary emission reduction scheme of China Vanke Pavilion at the Shanghai World Expo was launched. China Vanke Pavilion became the first pavilion to engage in voluntary emission reduction at the World Expo.

On 26 March 2010, the charity and environmental-friendly event – “Everest 2010” promoted by China Vanke’s Charity Foundation together with Tencent’s Charity Foundation was officially launched.

On 29 March 2010, the Company and the Ministry of Housing and Urban-Rural Development of the PRC entered into a strategic cooperation framework agreement to jointly promote a low-carbon development for the housing industry.

On 19 April 2010, the five pavilions from Guangdong, including China Vanke Pavilion, Guangdong Pavilion, Guangzhou Pavilion, Shenzhen Pavilion and Chaofu Pavilion, together held a ribbon-cutting ceremony at the Shanghai Expo Park. 2049-ChinaVanke Pavilion was ready to welcome its first group of visitors.

On 22 May 2010, all the climbers who chose the South Col route to complete the “Everest 2010” expedition, including Mr Wang Shi, reached the summit of Mount Everest. A flag of Shanghai World Expo was brought to the top of the mountain.

20 September 2010 was China Vanke Pavilion Day at Shanghai World Expo.

On 26 November 2010, the Company, Beijing Municipal Commission of Housing and Urban-Rural Development and the government of Fangshan District entered a strategic cooperation framework agreement regarding the construction of a green-architecture theme park in Beijing city.

On 3 December, 2010, the Company made an announcement regarding sales. As at 1 December 2010, the accumulated sales amount of the Company in 2010 amounted to RMB100.06 billion and China Vanke became the first residential property developer in China with a sales amount exceeding RMB100 billion.

**XII. Financial Report**

**China Vanke Co., Ltd.**  
萬科企業股份有限公司

31 December 2010

# Independent auditors' report to the shareholders of China Vanke Co., Ltd.

*(Established as a joint stock company in the People's Republic of China  
with limited liability)*

We have audited the accompanying consolidated financial statements of China Vanke Co., Ltd. (the "Company") and its subsidiaries (together with the Company referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

## **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditors' responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditors' report to the shareholders of  
China Vanke Co., Ltd. (continued)  
*(Established as a joint stock company in the People's Republic of China  
with limited liability)*

**Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2010, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Certified Public Accountants  
8th Floor, Tower E2, Oriental Plaza  
1 East Chang An Avenue  
Beijing, People's Republic of China  
4 March 2011

**Consolidated income statement**  
**for the year ended 31 December**  
*(Expressed in Renminbi Yuan)*

	<i>Note</i>	<i>2010</i>	<i>2009</i>
Revenue	8	47,763,550,428	46,047,893,250
Cost of sales		<u>(29,528,521,373)</u>	<u>(34,056,087,552)</u>
<b>Gross profit</b>		18,235,029,055	11,991,805,698
Other income	9	404,359,936	263,313,108
Distribution expenses		(2,079,092,849)	(1,513,716,870)
Administrative expenses		(1,881,498,927)	(1,472,764,647)
Other expenses	10	<u>(112,130,581)</u>	<u>(173,102,051)</u>
<b>Results from operating activities</b>		<u>14,566,666,634</u>	<u>9,095,535,238</u>
Finance income		787,638,332	503,223,726
Finance costs		<u>(1,103,140,985)</u>	<u>(847,616,939)</u>
<b>Net finance costs</b>	12	<u>(315,502,653)</u>	<u>(344,393,213)</u>
Share of profits less losses of associates	21	135,391,172	392,250,939
Share of profits less losses of jointly controlled entities	22	<u>156,311,874</u>	<u>149,609,924</u>
<b>Profit before income tax</b>		14,542,867,027	9,293,002,888
Income tax expense	13(a)	<u>(5,703,256,522)</u>	<u>(2,862,995,349)</u>
<b>Profit for the year</b>		<u>8,839,610,505</u>	<u>6,430,007,539</u>
<b>Attributable to:</b>			
Owners of the Company		7,283,127,039	5,329,737,727
Non-controlling interests		<u>1,556,483,466</u>	<u>1,100,269,812</u>
<b>Profit for the year</b>		<u>8,839,610,505</u>	<u>6,430,007,539</u>
<b>Basic and diluted earnings per share</b>	15	<u>0.66</u>	<u>0.48</u>

The accompanying notes form part of these consolidated financial statements.



## Consolidated statement of comprehensive income for the year ended 31 December (Expressed in Renminbi Yuan)

	<i>Note</i>	<i>2010</i>	<i>2009</i>
<b>Profit for the year</b>		8,839,610,505	6,430,007,539
<b>Other comprehensive income (after tax and reclassification adjustments) 14</b>			
Foreign currency translation differences			
- foreign operations		113,410,847	(586,681)
Net change in fair value of available-for-sale financial assets		(106,833,546)	62,957,529
<b>Total comprehensive income for the year</b>		8,846,187,806	6,492,378,387
<b>Attributable to:</b>			
Owners of the Company		7,289,704,340	5,392,108,575
Non-controlling interests		1,556,483,466	1,100,269,812
<b>Total comprehensive income for the year</b>		8,846,187,806	6,492,378,387

The accompanying notes form part of these consolidated financial statements.

## Consolidated statement of financial position at 31 December (Expressed in Renminbi Yuan)

	Note	2010	2009
<b>Assets</b>			
Property, plant and equipment	17	1,625,695,230	1,469,262,036
Investment properties	18	129,176,195	228,143,158
Construction in progress	19	764,282,141	593,208,234
Interest in associates	21	1,035,875,902	709,512,280
Interest in jointly controlled entities	22	3,374,074,020	2,763,877,398
Other financial assets	23	488,565,309	255,622,796
Deferred tax assets	24(a)	1,643,158,028	1,265,649,479
Other non-current assets	25	1,055,992,715	-
<b>Non-current assets</b>		10,116,819,540	7,285,275,381
Inventories	26	93,090,534	59,998,046
Properties held for development	27	49,314,694,209	43,259,163,354
Properties under development	27	78,982,068,164	41,872,964,957
Completed properties for sale	27	5,290,716,117	5,311,972,269
Trade and other receivables	28	34,370,341,244	17,235,320,841
Financial derivatives		-	740,471
Cash and cash equivalents and pledged deposits	29	37,816,932,912	23,001,923,831
<b>Current assets</b>		205,867,843,180	130,742,083,769
<b>Total assets</b>		215,984,662,720	138,027,359,150
<b>Equity</b>			
Share capital	30	10,995,210,218	10,995,210,218
Reserves	31	33,237,466,573	26,866,813,259
Awarded Shares purchased for the Employees' Share Award Scheme	36	-	(486,135,416)
<b>Equity attributable to owners of the Company</b>		44,232,676,791	37,375,888,061
<b>Non-controlling interests</b>		10,353,522,851	8,032,624,393
<b>Total equity</b>		54,586,199,642	45,408,512,454

The accompanying notes form part of these consolidated financial statements.

## Consolidated statement of financial position at 31 December (continued) (Expressed in Renminbi Yuan)

	<i>Note</i>	<i>2010</i>	<i>2009</i>
<b>Liabilities</b>			
Loans and borrowings	32	30,611,643,798	23,296,534,102
Deferred tax liabilities	24(b)	1,086,104,338	1,221,268,786
Other non-current liabilities	33	8,816,121	8,408,145
Provisions	35	41,107,323	34,355,815
<b>Non-current liabilities</b>		<u>31,747,671,580</u>	<u>24,560,566,848</u>
Loans and borrowings	32	16,783,690,787	8,628,670,478
Financial derivatives		15,054,493	-
Trade and other payables	34	106,138,344,681	55,244,411,867
Current tax liabilities	13(c)	6,713,701,537	4,185,197,503
<b>Current liabilities</b>		<u>129,650,791,498</u>	<u>68,058,279,848</u>
<b>Total liabilities</b>		<u>161,398,463,078</u>	<u>92,618,846,696</u>
<b>Total equity and liabilities</b>		<u>215,984,662,720</u>	<u>138,027,359,150</u>

Approved and authorised for issue by the board of directors on

) ) ) ) )  
Directors

The accompanying notes form part of these consolidated financial statements.

## Consolidated statement of changes in equity

### Year ended 31 December 2010

(Expressed in Renminbi Yuan)

	Attributable to equity shareholders of the Company										Non-controlling interests	Total equity	
	Note	Share capital	Share premium	Foreign exchange reserve	Statutory reserves	Employee share-based compensation reserve	Revaluation reserve	Other reserves	Retained earnings	Awarded shares purchased for Employees' Share Award Scheme			Total
Balance at 1 January 2010		10,995,210,218	8,826,644,405	276,721,079	8,737,841,437	473,226,067	107,604,654	(363,623,127)	8,808,398,744	(486,135,416)	37,375,888,061	8,032,624,393	45,408,512,454
Changes in equity in 2010:													
Transfer of retained earnings	31(a)	-	-	-	1,849,864,892	-	-	-	(1,849,864,892)	-	-	-	-
Dividend to owners of the Company	16	-	-	-	-	-	-	-	(769,664,716)	-	(769,664,716)	-	(769,664,716)
Dividends to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(1,022,809,351)	(1,022,809,351)
Capital injections from non-controlling interests of subsidiaries		-	-	-	-	-	-	-	-	-	-	900,024,038	900,024,038
Non-controlling interests arising from acquisitions of non-wholly owned subsidiaries		-	-	-	-	-	-	-	-	-	-	1,504,670,237	1,504,670,237
Equity settled share-based transactions	36	-	-	-	-	-	-	(17,407,332)	(1,711,866)	486,135,416	467,016,218	-	467,016,218
Acquisitions of non-controlling interests		-	-	-	-	-	-	(130,267,112)	-	-	(130,267,112)	(305,717,961)	(435,985,073)
Disposals of non-controlling interests		-	-	-	-	-	-	-	-	-	-	(318,921,473)	(318,921,473)
Other movement in non-controlling interests		-	-	-	-	-	-	-	-	-	-	7,169,501	7,169,501
Total comprehensive income for the year		-	-	113,410,847	-	-	(106,833,546)	-	7,283,127,039	-	7,289,704,340	1,556,483,467	8,846,187,807
Balance at 31 December 2010		<u>10,995,210,218</u>	<u>8,826,644,405</u>	<u>390,131,926</u>	<u>10,587,706,329</u>	<u>473,226,067</u>	<u>771,108</u>	<u>(511,297,571)</u>	<u>13,470,284,309</u>	<u>-</u>	<u>44,232,676,791</u>	<u>10,353,522,851</u>	<u>54,586,199,642</u>

The accompanying notes form part of these consolidated financial statements.

## Consolidated statement of changes in equity

### For the year ended 31 December 2009

(Expressed in Renminbi Yuan)

	Note	Attributable to owners of the Company								Total	Non-controlling interests	Total equity	
		Share capital	Share premium	Foreign exchange reserve	Statutory reserves	Employee share-based compensation reserve	Revaluation reserve	Other reserves	Retained earnings				Awarded shares purchased for Employees' Share Award Scheme
Balance at 1 January 2009		10,995,210,218	8,826,644,405	277,307,760	6,581,984,978	473,226,067	44,647,125	(241,332,344)	6,184,277,987	(1,250,040,934)	31,891,925,262	6,926,624,219	38,818,549,481
Changes in equity in 2009:													
Transfer of retained earnings	31(a)	-	-	-	2,155,856,459	-	-	-	(2,155,856,459)	-	-	-	-
Dividend to owners of the Company	16	-	-	-	-	-	-	-	(549,760,511)	-	(549,760,511)	-	(549,760,511)
Dividends to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(135,528,732)	(135,528,732)
Capital injections from non-controlling interests of subsidiaries		-	-	-	-	-	-	-	-	-	-	829,084,667	829,084,667
Non-controlling interests arising from acquisitions of non-wholly owned subsidiaries		-	-	-	-	-	-	-	-	-	-	65,659,742	65,659,742
Equity settled share-based transactions	36	-	-	-	-	-	(143,249,210)	-	763,905,518	-	620,656,308	-	620,656,308
Other movement in non-controlling interests		-	-	-	-	-	-	-	-	-	-	(20,751,055)	(20,751,055)
Acquisitions of non-controlling interests		-	-	-	-	-	-	20,958,427	-	-	20,958,427	(732,734,260)	(711,775,833)
Total comprehensive income for the year		-	-	(586,681)	-	-	62,957,529	-	5,329,737,727	-	5,392,108,575	1,100,269,812	6,492,378,387
Balance at 31 December 2009		<u>10,995,210,218</u>	<u>8,826,644,405</u>	<u>276,721,079</u>	<u>8,737,841,437</u>	<u>473,226,067</u>	<u>107,604,654</u>	<u>(363,623,127)</u>	<u>8,808,398,744</u>	<u>(486,135,416)</u>	<u>37,375,888,061</u>	<u>8,032,624,393</u>	<u>45,408,512,454</u>

The accompanying notes form part of these consolidated financial statements.

## Consolidated statement of cash flows for the year ended 31 December (Expressed in Renminbi Yuan)

	<i>Note</i>	<i>2010</i>	<i>2009</i>
<b>Cash flows from operating activities</b>			
Cash received from customers		88,119,694,493	57,595,333,546
Cash generated from other operating activities		2,976,047,157	1,889,792,191
Cash paid to suppliers		(66,645,895,260)	(34,560,212,562)
Cash paid to and for employees		(1,848,827,752)	(1,197,521,165)
Cash paid for other taxes		(4,557,884,632)	(3,466,498,213)
Cash used in other operating activities		(10,982,177,870)	(7,936,728,231)
<b>Cash generated from operations</b>		<b>7,060,956,136</b>	<b>12,324,165,566</b>
PRC Corporate Income Tax paid		(3,030,580,597)	(2,088,636,153)
Land Appreciation Tax paid		(1,793,120,088)	(982,178,093)
<b>Net cash generated from operating activities</b>		<b>2,237,255,451</b>	<b>9,253,351,320</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries, net of cash acquired	6	315,779,459	(2,975,942,928)
Formation of equity-accounted investees		(1,407,601,113)	(942,738,623)
Acquisition of other investments		(776,246,945)	(634,728,868)
Acquisition of property, plant and equipment and construction in progress		(261,938,551)	(806,062,158)
Proceeds from disposals of subsidiaries, net of cash disposed of	7	(1,065,359,615)	119,164,800
Proceeds from disposal of property, plant and equipment		462,242	142,450,545
Proceeds from sales of investments		282,454,288	210,421,894
Interest received		353,021,647	304,714,390
Dividends received		367,769,278	392,060,351
<b>Net cash used in investing activities</b>		<b>(2,191,659,310)</b>	<b>(4,190,660,597)</b>

The accompanying notes form part of these consolidated financial statements.

**Consolidated statement of cash flows (continued)**  
for the year ended 31 December  
(Expressed in Renminbi Yuan)

	2010	2009
<b>Cash flows from financing activities</b>		
Capital injections from non-controlling interests of subsidiaries	1,979,021,435	829,084,667
Proceeds from loans and borrowings	27,070,090,551	20,731,516,741
Repayment of loans and borrowings	(11,985,374,652)	(21,640,510,970)
Dividends and interest paid	(4,039,207,572)	(2,948,745,658)
<b>Net cash used in financing activities</b>	<u>13,024,529,762</u>	<u>(3,028,655,220)</u>
<b>Net increase in cash and cash equivalents</b>	13,070,125,903	2,034,035,503
<b>Cash and cash equivalents at 1 January</b>	22,002,774,938	19,978,285,930
<b>Effect of exchange rate fluctuations on cash held</b>	<u>24,034,575</u>	<u>(9,546,495)</u>
<b>Cash and cash equivalents at 31 December</b>	<u><u>35,096,935,416</u></u>	<u><u>22,002,774,938</u></u>

The accompanying notes form part of these consolidated financial statements.

# Notes to the consolidated financial statements

(Expressed in Renminbi Yuan)

## 1 Reporting entity

China Vanke Co., Ltd (the “Company”) is a company domiciled in the People’s Republic of China (the “PRC”). The consolidated financial statements of the Company for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) and the Group’s interests in associates and jointly controlled entities. The Group is primarily involved in the development and sale of properties in the PRC (see note 8).

## 2 Basis of preparation

### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRSs”).

The consolidated financial statements were authorised for issue by the Company’s board of directors on 4 March 2011.

### (b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- derivative financial instruments are measured at fair value;
- available-for-sale financial assets are measured at fair value.

### (c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi Yuan, which is the Group’s functional currency.



## 2 Basis of preparation (continued)

### (d) *Use of estimates and judgements*

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Notes 17, 18 and 19 – depreciation and/or impairment of property, plant and equipment, investment properties and construction in progress
- Note 27 – write down of properties
- Note 28 – impairment of trade debtors and other receivables
- Note 43 – accounting estimates and judgements

## 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities except as explained in note 4, which addresses changes in accounting policies.

### (a) *Basis of consolidation*

#### (i) Business combinations

The Group has changed its accounting policy with respect to accounting for business combination. See note 4(ii) for further details.

#### (ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interest in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

### 3 Significant accounting policies (continued)

#### (a) Basis of consolidation (continued)

##### (iii) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are revised. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity except that any share capital of the acquired entities is recognised as part of share premium. Any cash paid for the acquisition is recognised directly in equity.

##### (iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

##### (v) Investment in associate and jointly controlled entity (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates and jointly controlled entities are accounted for using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

##### (vi) Jointly controlled operations

A jointly controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operations. The consolidated financial statements include the assets that the Group controls and the liabilities that it incurs in the course of pursuing the joint operation, and the expenses that the Group incurs and its share of the income that it

earns from the joint operation.

### 3 Significant accounting policies (continued)

#### (a) Basis of consolidation (continued)

##### (vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

##### (viii) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 4(ii).

##### *Subsequent measurement*

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

#### (b) Foreign currency

##### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity investments, which are recognised in other comprehensive income. Foreign currency differences arising on retranslation are recognised in profit or loss.

##### (ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Renminbi at exchange rate at the end of the reporting period. The income and expenses of foreign operations are translated to Renminbi at exchange rates at the dates of the transactions.

### 3 Significant accounting policies (continued)

#### (b) Foreign currency (continued)

##### (ii) Foreign operations (continued)

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

#### (c) Financial instruments

##### (i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

### 3 Significant accounting policies (continued)

#### (c) Financial instruments (continued)

##### (i) Non-derivative financial assets (continued)

###### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

###### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(h)(i)), are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities and debt securities.

##### (ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, and trade and other payables.

##### (iii) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

### 3 Significant accounting policies (continued)

#### (c) *Financial instruments (continued)*

##### (iv) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value; attributable transaction costs are recognised in the profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair values, and changes therein are recognised immediately in profit or loss.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

#### (d) *Property, plant and equipment*

##### (i) Recognition and measurement

Hotel and other properties held for own use, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs (see note 3(m)). Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

##### (ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

### 3 Significant accounting policies (continued)

#### (d) Property, plant and equipment (continued)

##### (iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative years are as follows:

	<i>Year</i>	<i>Estimated residual value as a percentage of costs</i>
Hotel and other buildings	12.5 - 70	0%-4%
Improvements to premises	5 years or over terms of leases	-
Plant and machinery	5 - 10	4%
Furniture, fixtures and equipment	5 - 10	4%
Motor vehicles	5	4%

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted if appropriate.

#### (e) Investment properties

Investment properties are property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of land use rights, materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs (see note 3(m)).

#### (f) Construction in progress

Construction in progress represents items of property, plant and equipment under construction and pending installation, and is stated at cost less impairment losses (see note 3(h)(ii)). Cost comprises cost of materials, direct labour and capitalised borrowing costs (see note 3(m)). Capitalisation of those costs ceases and the construction in progress is transferred to property, plant and equipment, as appropriate, when the asset is substantially ready for its intended use. No depreciation is provided in respect of construction in progress.



### 3 Significant accounting policies (continued)

#### (g) *Leased assets*

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's consolidated statement of financial position.

The Group has changed its accounting policy with respect to accounting for leases of land. See note 4(iv) for further details except where the property is held for development, under development or completed and held for sale (see notes 3(j) and 3(k)).

#### (h) *Impairment*

##### (i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

##### *Loans and receivables*

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

### 3 Significant accounting policies (continued)

#### (h) Impairment (continued)

##### (i) Non-derivative financial assets (continued)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### *Available-for-sale financial assets*

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

##### (ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than properties held for development, properties under developments, completed properties for sale, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

### 3 Significant accounting policies (continued)

#### (h) *Impairment (continued)*

##### (ii) Non-financial assets (continued)

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

##### (i) *Inventories*

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

##### (j) *Properties under development and properties held for development*

Properties under development are stated at the lower of cost and net realisable value. The cost of properties under development and properties held for development comprise specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and capitalised borrowing costs (see note 3(m)). Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs to be incurred in selling the properties.

### 3 Significant accounting policies (continued)

#### (k) *Completed properties for sale*

Completed properties for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total development costs for that development project attributable to the unsold properties. Net realisable value represents the estimated selling price less the estimated costs to be incurred in selling the properties.

The cost of completed properties for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing completed properties for sale to their present location and condition.

When properties are sold, the carrying amount of those properties is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of properties to net realisable value and all losses of properties are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of properties is recognised as a reduction in the amount of properties recognised as an expense in the period in which the reversal occurs.

#### (l) *Revenue recognition*

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

##### (i) Sale of properties

Revenue from the sale of completed properties for sale is recognised upon the signing of the sale and purchase agreement and the receipt of the deposits pursuant to the sale and purchase agreement or the achievement of status ready for hand-over to customers as stipulated in the sales and purchase agreements, whichever is the later. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet under sales deposits received in advance.

##### (ii) Provision of services

Revenue from services is recognised when services are rendered.

##### (iii) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

### 3 Significant accounting policies (continued)

#### (l) Revenue recognition (continued)

##### (iv) Rental income

Rental income from investment properties is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

##### (v) Interest income

Interest income is recognised as it accrues using the effective interest method.

The above revenue is net of the relevant taxes and is after the deduction of any trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

#### (m) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

#### (n) Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Group's contributions to defined contribution retirement plans administered by the PRC government are recognised as an expense when incurred according to the contribution defined by the plans.

### 3 Significant accounting policies (continued)

#### (o) *Income tax*

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### 3 Significant accounting policies (continued)

(p) *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, and demand deposits with banks. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(q) *Provisions*

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(r) *Related parties*

For the purposes of the consolidated financial statements, a party is considered to be related to the Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iii) the party is a member of key management personnel of the Group, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (iv) the party is close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (v) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the Group.

### 3 Significant accounting policies (continued)

#### (s) *Earnings per share*

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

#### (t) *Operating segments*

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's most senior executive management to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the most senior executive management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

### 4 Changes in accounting policies

#### (i) Overview

From 1 January 2010, the Group has changed its accounting policies in the following areas:

- Accounting for business combinations
- Adoption of IAS 27 Consolidated and Separate Financial Statements (2008)
- Accounting for leases of land

#### (ii) Accounting for business combinations

From 1 January 2010 the Group has applied IFRS 3 Business Combinations (2008) in accounting for business combinations. The change in accounting policy has been applied prospectively and has had no material impact on earnings per share.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.



#### 4 Changes in accounting policies (continued)

##### (ii) Accounting for business combinations (continued)

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

For acquisitions before 1 January 2010, goodwill represents the excess of the cost of acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of acquisition.

##### (iii) Adoption of IAS 27 Consolidated and Separate Financial Statements (2008)

As a result of the adoption of IAS 27 (amended 2008), the following changes in policies will be applied as from 1 January 2010:

If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.

#### **4 Changes in accounting policies (continued)**

(iii) Adoption of IAS 27 Consolidated and Separate Financial Statements (2008) (continued)

If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

In accordance with the transitional provisions in IAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

(iv) Accounting for leases of land

From 1 January 2010 the Group has applied the amendment to IAS 17 Leases (the Amendment). The change in accounting policy has been applied retrospectively but has had no impact on earnings per share.

Under the new accounting policy, except where the property is held for development, under development or completed and held for sale (see notes 3(j) and 3(k)), if a lease of land transfers substantially all of the risks and rewards incidental to ownership of the land to the lessee, then the lease is a finance lease; otherwise it is an operating lease.

#### **5 Determination of fair values**

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(ii) Property, plant and equipment, lease prepayment, investment properties, construction in progress, properties held for development, properties under development and completed properties for sale

The fair value of property, plant and equipment, lease prepayment, investment properties, construction in progress, properties held for development, properties under development and completed properties for sale is based on market values. The market value of these properties is the estimated amount for which an item could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of property, plant and equipment, lease prepayment, investment properties, construction in progress, properties held for development, properties under development and completed properties for sale is based on the quoted market prices for similar items when available and replacement cost when appropriate.

## 5 Determination of fair values (continued)

### (iii) Investments in debt and equity securities

The fair value of listed available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date without any deduction for transaction costs. There is no quoted market price in an active market for the unlisted equity and debt securities and thus their fair value cannot be reliably estimated.

## 6 Acquisitions of subsidiaries

- (a) Pursuant to an equity transfer agreement dated 29 December 2009, the Group acquired a 51% equity interest in Yongtaiyouxin Property Development Co., Ltd (“Yongtaiyouxin”) at a consideration of about RMB 20 million. Yongtaiyouxin is principally engaged in property development and sale. The acquisition was completed on 1 March 2010. (note)
- (b) Pursuant to an equity transfer agreement dated 5 March 2010, the Group acquired a 51% equity interest in Guiyang Vanke Jingjia Real Estate Co., Ltd. (“Guiyangjingjia”) at a consideration of about RMB 5 million. Guiyang Jingjia is principally engaged in property development and sale. The acquisition was completed on 22 March 2010. (note)
- (c) Pursuant to an equity transfer agreement dated 26 February 2010, the Group acquired a 100% equity interest in Kunming Xinhemin North Town Real Estate Co Ltd (“Xinhemin”) at a consideration of about RMB 306 million. Xinhemin is principally engaged in property development and sale. The acquisition was completed on 26 February 2010. (note)
- (d) Pursuant to an equity transfer agreement dated 1 March 2010, the Group acquired a 75% equity interest in Shanghai Zhongfang Binjiang Real Estate Co., Ltd (“Zhongfang Binjiang”) at a consideration of about RMB 152 million. Zhongfang Binjiang is principally engaged in property development and sale. The acquisition was completed on 26 March 2010. After the acquisition, the company holds a 100% equity interest in Zhongfang Binjiang. (note)
- (e) Pursuant to an equity transfer agreement dated 27 August 2009, the Group acquired a 90% equity interest in Shenzhen Guangshengrong Investment Co., Ltd (“Guangshengrong”) at a consideration of RMB 45 million. Guangshengrong is principally engaged in investment holding. The acquisition was completed on 5 February 2010.
- (f) Pursuant to an equity transfer agreement dated 30 December 2009, the Group acquired a 60% equity interest in Shenzhen Hechenghongye Investment Development Company Limited (“Hechenghongye”) at a consideration of RMB 6 million. Hechenghongye is principally engaged in investment holding. The acquisition was completed on 21 January 2010.
- (g) Pursuant to an equity transfer agreement dated 28 December 2009, the Group acquired a 95% equity interest in Tianjin Eco-city Wanhong Property Company Limited (“Tianjin Eco-city”) at a consideration of about RMB 29 million. Tianjin Eco-city is principally engaged in property development and sale. The acquisition was completed on 18 January 2010. (note)

## 6 Acquisitions of subsidiaries (continued)

- (h) Pursuant to an equity transfer agreement dated 4 May 2010, the Group acquired a 25% equity interest in Dalian Vanke Charming City Property Development Company Limited (“Charming”) at a consideration of about RMB 99 million. Charming is principally engaged in property development and sale. The acquisition was completed on 30 June 2010. After the acquisition, the Company holds a 55% equity interest in Charming. (note)
- (i) Pursuant to an equity transfer agreement dated 25 February 2010, the Group acquired a 65% equity interest in Shenzhen Julongwan Investment Development Company Limited (“Julongwan”) at a consideration of about RMB 7 million. Julongwan is principally engaged in investment holding. The acquisition was completed on 1 May 2010.
- (j) Pursuant to an equity transfer agreement dated 1 May 2010, the Company acquired a 51% equity interest in Zhuhai Wanrun Property Development Company Limited (“Wanrun”) at a consideration of about RMB 3 million. Wanrun is principally engaged in property development and sale. The acquisition was completed on 20 May 2010. (note)
- (k) Pursuant to an equity transfer agreement dated 8 April 2010, the Company acquired a 80% equity interest in Shenzhen Jinhui Property Development Co., Ltd (“Shenzhen Jinhui”) at a consideration of RMB 24 million. Shenzhen Jinhui is principally engaged in property development and sale. The acquisition was completed on 6 May 2010. (note)
- (l) Pursuant to an equity transfer agreement dated 14 April 2010, the Company acquired a 100% equity interest in Shenzhen Jiuzhou Property Development Co Ltd (“Shenzhen Jiuzhou”) at a consideration of about RMB 98 million. Shenzhen Jiuzhou is principally engaged in property development and sale. The acquisition was completed on 20 April 2010. (note)
- (m) Pursuant to an equity transfer agreement dated 30 December 2009, the Group acquired a 60% equity interest in Shenzhen Wanlianjia Investment Development Company Ltd. (“Wanlianjia”) at a consideration of RMB 600,000. Wanlianjia is principally engaged in property development and sale. The acquisition was completed on 17 June 2010. (note)
- (n) Pursuant to an equity transfer agreement dated 8 January 2010, the Group acquired a 100% equity interest in Citi Victory Limited (“Citi Victory”) at a consideration of HKD 1,000. Citi Victory is principally engaged in investment holding. The acquisition was completed on 8 January 2010.
- (o) Pursuant to an equity transfer agreement dated 8 January 2010, the Group acquired a 100% equity interest in Full Act Limited (“Full Act.”) at a consideration of HKD 1,000. Full Act. is principally engaged in investment holding. The acquisition was completed on 8 January 2010.
- (p) Pursuant to an equity transfer agreement dated 8 January 2010, the Group acquired a 100% equity interest in Gain Honour Limited (“Gain Honour”) at a consideration of HKD 1,000. Gain Honour is principally engaged in investment holding. The acquisition was completed on 8 January 2010.

## 6 Acquisitions of subsidiaries (continued)

- (q) Pursuant to an equity transfer agreement dated 13 October 2009, the Group acquired a 51% equity interest in Dongguan Zhongwan Property Development Co., Ltd (“Zhongwan”) at a consideration of RMB 510,000. Zhongwan is principally engaged in property development and sale. The acquisition was completed on 1 January 2010. (note)
- (r) Pursuant to an equity transfer agreement dated 11 September 2010, the Group acquired a 78% equity interest in Changsha Lihe Property Development Co., Ltd. (“Lihe”) at a consideration of about RMB 5 million. Lihe is principally engaged in property development and sale. The acquisition was completed on 11 September 2010. (note)
- (s) Pursuant to an agreement with partners to make amendments to the Article of Association of Shenyang Vanke Yongda Property Development Co., Ltd. (“Yongda”) dated 18 October 2010, the Group obtained control in Yongda. Yongda is principally engaged in property development and sale. The acquisition was completed on 18 October 2010. (note)
- (t) Pursuant to an equity transfer agreement dated 10 December 2010, the Group acquired a 58% equity interest in Changsha Junjie Property Development Company Limited (“Junjie”) at a consideration of about RMB 12 million. Junjie is principally engaged in property development and sale. The acquisition was completed on 10 December 2010. (note)
- (u) Pursuant to an equity transfer agreement dated 22 December 2010, the Group acquired a 100% equity interest in Qingyuan Jinlongzhengda Property Development Company Limited (“Jinlongzhengda”) at a consideration of about RMB 110 million. Jinlongzhengda is principally engaged in property development and sale. The acquisition was completed on 22 December 2010. (note)
- (v) Pursuant to an equity transfer agreement dated 3 December 2010, the Group acquired a 80% equity interest in Hainan Shibote Investment Company Limited (“Shibote”) at a consideration of about RMB 887 million. Shibote is principally engaged in property development and sale. The acquisition was completed on 3 December 2010.
- (w) Pursuant to an equity transfer agreement dated 15 December 2010, the Group acquired a 100% equity interest in Kunming Shencheng Property Development Company Ltd. (“Shencheng”) at a consideration of about RMB 401 million. Shencheng is principally engaged in property development and sale. The acquisition was completed on 15 December 2010. (note)
- (x) Pursuant to an equity transfer agreement dated 2 December 2010, the Group acquired a 100% equity interest in Beijing Tianjiayuan Property Development Company Ltd. (“Tianjiayuan”) at a consideration of about RMB 10 million. Tianjiayuan is principally engaged in property development and sale. The acquisition was completed on 2 December 2010. (note)

Note: In the circumstances, the acquired subsidiaries’ major assets are properties held for development, properties under development and/or completed properties for sale. The directors consider that the purpose of acquiring those subsidiaries is solely to acquire the underlying properties.

## 6 Acquisitions of subsidiaries (continued)

The acquisitions had the following effect on the Group's cash flow on acquisition dates:

<b>Considerations, satisfied in cash</b>	2,218,302,211
Cash acquired	(1,792,379,167)
Considerations prepaid in prior years	(180,702,231)
Considerations to be paid subsequent to 2010	(627,976,689)
Considerations paid in 2010	(382,755,876)
Cash paid for acquisitions in prior years	66,976,417
<b>Net cash inflow</b>	<u>(315,779,459)</u>

All subsidiaries set out above were acquired from third parties.

## 7 Disposal of subsidiaries

- (a) On 1 January 2010, the Group disposed of 100% equity interest in Xiamen Xinlu Orient Trading Company Limited to an independent party, at a consideration of RMB 194 million.
- (b) On 20 May 2010, the Group disposed of 50% equity interest in Changchun Vanke Xizhigu Property Development Company Limited ("Xizhigu"), which was previously wholly owned by the Group, to an independent party, at a consideration of RMB 4 million. Subsequent to the transfer, Xizhigu became a jointly controlled entity of the Group.
- (c) On 31 May 2010, the Group disposed of 85% equity interest in Guangzhou Yinyejunrui Property Development Company Limited ("Yinyejunrui"), which was previously 100% owned by the Group, to an independent party, at a consideration of RMB 47 million. Subsequent to the transfer, Yinyejunrui became an associate of the Group.
- (d) On 2 December 2010, the Group disposed of 90% equity interest in Changchun Vanke Jingcheng Property Development Company Limited ("Jingcheng"), which was previously wholly owned by the Group, to an independent party, at a consideration of RMB 8 million. Subsequent to the transfer, Jingcheng became a jointly controlled entity of the Group.
- (e) On 28 September 2010, the Group disposed of 85% equity interest in Shanghai Vanke Changning Property Development Company Limited ("Changning"), which was previously wholly owned by the Group, to an independent party, at a consideration of RMB 26 million. Subsequent to the transfer, Changning became an associate of the Group.
- (f) On 11 Aug 2010, the Group disposed of 50% equity interest in Beijing Wanxin Investment Development Company Limited ("Wanxin"), which was previously wholly owned by the Group and at the disposal date held 100% equity interest in Hangzhou Dafan Investment Management Company Limited, to an independent party, at a consideration of RMB 301 million. Subsequent to the transfer, Wanxin became a jointly controlled entity of the Group.

## 7 Disposal of subsidiaries (continued)

### *Effect of the disposal on individual assets and liabilities of the Group for the year ended 31 December 2010*

Cash and cash equivalents	1,424,211,615
Trade and other receivables	475,209,270
Properties held for development, properties under development and completed properties for sales	2,625,447,000
Investment properties	101,509,070
Property, plant and equipment	409,813
Other non-current assets	106,517,221
Interest-bearing loans and borrowings	(993,000,000)
Trade and other payables	(2,916,049,535)
Equity interests not disposed of by the Group	<u>(325,675,386)</u>
<b>Net assets and liabilities disposed of by the Group</b>	498,579,068
Gain on disposal of subsidiaries	80,716,139
Considerations received in prior years	(160,004,500)
Considerations to be received subsequent to 2010	<u>(60,438,707)</u>
Considerations received, satisfied in cash	358,852,000
Cash disposed of	<u>(1,424,211,615)</u>
<b>Net cash outflow</b>	<u><u>(1,065,359,615)</u></u>

## 8 Operating segments

The Group manages its business by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purpose of resource allocation and performance assessment, the Group has presented the following five reportable segments.

- Property development (Beijing Region / Shenzhen Region / Shanghai Region / Chengdu Region): given the importance of the property development division to the Group, the Group's property development business is segregated further into four reportable segments on a geographical basis, as the divisional managers for each of these regions report directly to the senior executive team. All the four segments mainly derive their revenue from development and sale of residential properties. The properties are mainly sold to individual customers; therefore, the Group does not have major customers. Currently the Group's activities in this regard are carried out in mainland China. Details about the specific cities covered by each region are set out in note 8(b).
- Property management services: this segment provides house-keeping services to the property development segment, as well as the external property developers. Currently the Group's activities in this regard are also carried out in mainland China.

## 8 Operating segments (continued)

Although the operating segment of property management services does not meet any of the quantitative thresholds specified in IFRS 8, *Operating Segments*, management believes that information about the segment would be useful to users of the consolidated financial statements.

### (a) *Segment results, assets and liabilities*

For the purpose of assessing segment performance and allocating resources among segments, the Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

#### (i) Segment assets and liabilities

Segment assets include all tangible, intangible assets, other investments and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include trade creditors, accruals, loans and borrowings, and the provision for the estimated losses to be borne by the Group in relation to the property management projects with the exception of defined tax liabilities.

#### (ii) Segment revenue and expenses

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

#### (iii) Segment profit

The measure used for reporting segment profit is the profit before the PRC corporate income tax expense, excluding share of profit or loss of associates or jointly controlled entities and non-operating income and expense, but including the profit arising from the inter-segment transactions. Land appreciation tax is deducted from segment profit for the review by the Group's senior executive management for it is considered directly attributable to the sale of properties.

#### (iv) Inter-segment transactions

Inter-segment sales are priced with reference to prices charged to external parties for similar transactions.



## 8 Operating segments (continued)

### (a) Segment results, assets and liabilities (continued)

	<i>Real Estate Development</i>				<i>Property Management</i>	<i>Total</i>
	<i>Beijing Region (note(1))</i>	<i>Shenzhen Region (note(2))</i>	<i>Shanghai Region (note(3))</i>	<i>Chengdu Region (note(4))</i>		
<b>For the year ended 31 December 2010</b>						
Revenue from external customers, before sales taxes	10,324,888,304	16,482,194,816	19,222,902,404	4,132,851,367	536,494,865	50,699,331,756
Inter-segment revenue	-	-	-	-	552,002,057	552,002,057
<b>Reportable segment revenue, before sales taxes</b>	<u>10,324,888,304</u>	<u>16,482,194,816</u>	<u>19,222,902,404</u>	<u>4,132,851,367</u>	<u>1,088,496,922</u>	<u>51,251,333,813</u>
<b>Reportable segment profit</b>	<u>1,969,412,177</u>	<u>4,345,328,349</u>	<u>5,393,578,850</u>	<u>751,640,139</u>	<u>125,798,420</u>	<u>12,585,757,935</u>
Interest income	297,871,988	90,030,365	137,223,646	53,921,874	2,937,734	581,985,607
Interest expense	274,297,333	182,362,008	210,000,328	31,512,583	2,318,979	700,491,231
Share of profits less losses of associates and jointly controlled entities	17,015,765	(10,741,625)	196,202,992	7,193,474	-	209,670,606
<b>Reportable segment assets</b>	<u>53,778,086,390</u>	<u>52,460,609,703</u>	<u>47,129,625,040</u>	<u>30,539,923,831</u>	<u>1,133,295,422</u>	<u>185,041,540,386</u>
<b>Reportable segment liabilities</b>	<u>43,475,617,968</u>	<u>40,477,188,702</u>	<u>35,914,966,655</u>	<u>25,736,417,392</u>	<u>1,019,282,557</u>	<u>146,623,473,274</u>

## 8 Operating segments (continued)

### (a) Segment results, assets and liabilities (continued)

	<i>Real Estate Development</i>				<i>Property Management</i>	<i>Total</i>
	<i>Beijing Region (note(1))</i>	<i>Shenzhen Region (note(2))</i>	<i>Shanghai Region (note(3))</i>	<i>Chengdu Region (note(4))</i>		
<b>For the year ended 31 December 2009</b>						
Revenue from external customers, before sales taxes	12,061,318,325	16,456,704,832	15,168,178,905	4,736,657,399	446,870,162	48,869,729,623
Inter-segment revenue	-	-	-	-	450,762,770	450,762,770
<b>Reportable segment revenue, before sales taxes</b>	<u>12,061,318,325</u>	<u>16,456,704,832</u>	<u>15,168,178,905</u>	<u>4,736,657,399</u>	<u>897,632,932</u>	<u>49,320,492,393</u>
<b>Reportable segment profit</b>	<u>1,808,198,638</u>	<u>2,408,254,876</u>	<u>3,197,239,875</u>	<u>936,581,046</u>	<u>142,240,124</u>	<u>8,492,514,559</u>
Interest income	72,965,199	34,370,258	38,281,749	13,995,834	2,082,086	161,695,126
Interest expense	80,421,830	120,888,768	168,072,746	73,305,846	1,134,494	443,823,684
Share of profits less losses of associates and jointly controlled entities	123,247,053	6,454,819	351,762,901	799,140	-	482,263,913
<b>Reportable segment assets</b>	<u>24,359,649,868</u>	<u>33,198,931,234</u>	<u>37,134,037,436</u>	<u>12,138,735,205</u>	<u>936,713,213</u>	<u>107,768,066,956</u>
<b>Reportable segment liabilities</b>	<u>17,289,333,777</u>	<u>24,557,753,557</u>	<u>30,312,262,600</u>	<u>10,281,755,747</u>	<u>691,455,231</u>	<u>83,132,560,912</u>

## 8 Operating segments (continued)

### (b) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities (continued)

	2010	2009
<b>Revenue</b>		
Reportable segment revenue	51,251,333,813	49,320,492,393
Unallocated head office and corporate revenue	14,519,688	11,283,521
Sales taxes	(2,950,301,016)	(2,833,119,894)
Elimination of inter-segment revenue	(552,002,057)	(450,762,770)
Consolidated turnover	<u>47,763,550,428</u>	<u>46,047,893,250</u>
<b>Profit</b>		
Reportable segment profit	12,585,757,935	8,492,514,559
Elimination of inter-segment profit	(957,133,667)	(390,445,091)
Share of profits less losses of associates and jointly controlled entities	291,703,046	541,860,863
Other income	404,359,936	263,313,108
Other expenses, excluding provision for doubtful debts	(40,914,385)	(144,826,118)
Dividend income	153,595,420	198,509,336
Unallocated head office and corporate expenses	(496,615,706)	(343,498,849)
Land appreciation tax	2,602,114,448	675,575,080
Consolidated profit before taxation	<u>14,542,867,027</u>	<u>9,293,002,888</u>
<b>Assets</b>		
Reportable segment assets	185,041,540,386	107,768,066,956
Elimination of inter-segment receivables	(56,191,186,937)	(44,631,419,049)
Unallocated head office and corporate assets	85,491,151,243	73,625,061,764
Deferred tax assets	1,643,158,028	1,265,649,479
Consolidated total assets	<u>215,984,662,720</u>	<u>138,027,359,150</u>
<b>Liabilities</b>		
Reportable segment liabilities	146,623,473,274	83,132,560,912
Elimination of inter-segment payables	(55,308,570,754)	(39,100,106,359)
Unallocated head office and corporate liabilities	68,997,456,220	47,365,123,357
Deferred tax liabilities	1,086,104,338	1,221,268,786
Consolidated total liabilities	<u>161,398,463,078</u>	<u>92,618,846,696</u>

## 8 Operating segments (continued)

### (b) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

Notes:

- (1) Beijing region represents Beijing, Tianjin, Shenyang, Anshan, Dalian, Qingdao, Changchun, Yantai, Jilin, Taiyuan, Tangshan, Langfang and Fushun.
- (2) Shenzhen region represents Shenzhen, Guangzhou, Dongguan, Foshan, Zhuhai, Zhongshan, Changsha, Xiamen, Fuzhou, Huizhou, Hainan and Qingyuan.
- (3) Shanghai region represents Shanghai, Hangzhou, Su'nan, Ningbo, Nanjing, Zhenjiang, Nanchang, Hefei, Yangzhou and Jiaxing.
- (4) Chengdu Region represents Chengdu, Wuhan, Xi'an, Chongqing, Kunming, Guiyang and Urumqi.
- (5) Share of profits less losses of associates and jointly controlled entities that is attributable to head office and not allocated to the respective segments is RMB 82,032,440 (2009: RMB 59,596,950).

## 9 Other income

	2010	2009
Forfeited deposits and compensation from customers	25,074,031	19,150,446
Gain on disposals of subsidiaries	80,716,139	150,738,396
Gain on disposals of equity-accounted investees	127,868,200	19,176,868
Gain on disposals of other investments	124,048,435	20,283,706
Gain on disposals of property, plant and equipment	1,021,397	7,883,854
Unrealised gain on financial derivatives	-	2,435,351
Other sundry income	45,631,734	43,644,487
	404,359,936	263,313,108

## 10 Other expenses

	2010	2009
Provision for doubtful debts	71,216,196	28,275,933
Compensation to customers	2,819,065	30,544,937
Donations	14,419,165	47,819,939
Loss on disposals of property, plant and equipment	1,211,776	1,577,638
Realised and unrealised loss on financial derivatives	15,054,493	6,492,341
Penalties	5,080,836	10,635,324
Other sundry expenses	2,329,050	47,755,939
	112,130,581	173,102,051

## 11 Personnel expenses

	2010	2009
Wages, salaries and other staff costs	2,238,847,211	1,366,033,170
Contributions to defined contribution plans	155,987,818	120,229,614
	2,394,835,029	1,486,262,784

## 12 Finance income and finance costs

	2010	2009
Interest income	634,042,912	304,714,390
Dividend income	153,595,420	198,509,336
Finance income	787,638,332	503,223,726
Interest expense and other borrowing costs	3,003,034,365	2,174,111,158
Less: Interest capitalised	(1,877,395,535)	(1,329,102,436)
Finance costs	1,125,638,830	845,008,722
Foreign exchange loss	(22,497,845)	2,608,217
Net finance costs	(315,502,653)	(344,393,213)

Interest expense and other borrowing costs have been capitalised at an average rate of 7.6% (2009: 6.7%) per annum.

## 13 Taxation

(a) *Taxation in the consolidated income statement represents:*

	2010	2009
<b>Current tax</b>		
PRC Corporate Income Tax	3,513,818,714	2,086,679,824
Land Appreciation Tax	2,673,807,790	769,460,459
	6,187,626,504	2,856,140,283
<b>Deferred tax</b>		
Fair value adjustments arising from business combinations		
- PRC Corporate Income Tax	(77,459,714)	(83,090,710)
- Land Appreciation Tax	(71,693,343)	(93,885,379)
Accrual for Land Appreciation Tax	(216,117,919)	209,408,887
Tax losses	(206,466,350)	(147,899,296)
Bad debt provision	(5,764,734)	(9,488,406)
Provision for diminution in value of properties	154,318,116	153,322,143
Accruals for construction costs	(19,785,672)	30,038,912
Other temporary differences	(41,400,366)	(51,551,085)
	(484,369,982)	6,855,066
	5,703,256,522	2,862,995,349

The provision for PRC Corporate Income Tax is calculated based on the estimated taxable income at the rates applicable to each company in the Group. The income tax rates applicable to the principal subsidiaries in the PRC range between 22% and 25% (2009: between 20% and 25%).

According to the China's Corporate Income Tax ("CIT") Law that was passed by the Standing Committee of the Tenth National People's Congress ("NPC") on 16 March 2007 and the Notice of the State Council on the Transitional Preferential Policy regarding implementation of the CIT Law (Guo Fa [2007] No.39) issued on 26 December 2007, income tax rate is revised to 25% with effect from 1 January 2008. For certain enterprises that are entitled to preferential income tax rate of 15% before the implementation of the CIT Law, the income tax rate applicable will be 18%, 20%, 22%, 24% and 25% in 2008, 2009, 2010, 2011, and 2012 and thereafter respectively. As at 31 December 2010 and 2009, deferred tax assets and liabilities are calculated based on the applicable income tax rates enacted by the NPC from 1 January 2008.

Land Appreciation Tax is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use rights, borrowing costs and relevant property development expenditures.

### 13 Taxation (continued)

(a) *Taxation in the consolidated income statement represents (continued):*

The following is a reconciliation between tax expense and accounting profit at applicable tax rates:

	2010	2009
Profit before income tax	14,542,867,027	9,293,002,888
Less: Land Appreciation Tax	<u>(2,602,114,448)</u>	<u>(675,575,080)</u>
	<u>11,940,752,579</u>	<u>8,617,427,808</u>
Notional tax on profit before taxation calculated at effective income tax rate of the relevant group subsidiaries concerned	2,913,273,639	2,091,230,130
Non-taxable income	(102,612,170)	(141,411,577)
Non-deductible expenses	223,236,055	180,626,272
Recognition of previously unrecognised tax losses	(8,174,970)	(16,101,473)
Effect of temporary difference not recognised	86,633,938	80,843,778
Effect of change in tax rates on deferred tax in respect of current year temporary differences	<u>(11,214,418)</u>	<u>(7,766,861)</u>
PRC Corporate Income Tax	3,101,142,074	2,187,420,269
Land Appreciation Tax	<u>2,602,114,448</u>	<u>675,575,080</u>
Income tax expense	<u>5,703,256,522</u>	<u>2,862,995,349</u>

(b) *Taxation recognised directly in equity*

	2010	2009
Arising from fair value adjustments on available-for-sale securities (note 24(c))	28,303,017	(17,757,247)

### 13 Taxation (continued)

(c) *Current taxation in the consolidated statement of financial position represents:*

	2010	2009
PRC Corporate Income Tax	1,677,498,217	720,023,458
Land Appreciation Tax	5,036,203,320	3,465,174,045
	6,713,701,537	4,185,197,503

Land Appreciation Tax provisions have been made pursuant to Guo Shui Fa (2006) No. 187 Circular of State Administration of Taxation on Relevant Issues of Settlement and Management of Land Appreciation Tax for Real Estate Developers. The management considers the timing of settlement is dependent on the practice of local tax bureaus. As a result of the uncertainty of timing of payment of Land Appreciation Tax, the provisions have been recorded as current liabilities as at 31 December 2010 and 2009.

### 14 Other comprehensive income

(a) *Tax effects relating to each component of other comprehensive income*

	2010			2009		
	Before-tax amount	Tax expense	Net-of-tax amount	Before-tax amount	Tax benefit	Net-of-tax amount
Foreign currency translation differences						
– foreign operations	113,410,847	-	113,410,847	(586,681)	-	(586,681)
Net change in fair value of available-for-sale financial assets	(135,136,563)	28,303,017	(106,833,546)	80,714,776	(17,757,247)	62,957,529
Other comprehensive income	(21,725,716)	28,303,017	6,577,301	80,128,095	(17,757,247)	62,370,848

(b) *Reclassification adjustments relating to components of other comprehensive income*

	2010 RMB'000	2009 RMB'000
Available-for sale securities:		
Changes in fair value recognised during the year	(14,296,524)	69,897,086
Reclassification adjustments for amounts transferred to profit or loss:		
- gains on disposal	(92,537,022)	(6,939,557)
Net movement in the fair value reserve during the year recognised in other comprehensive income	(106,833,546)	62,957,529



## 15 Basic and diluted earnings per share

The calculation of basic and diluted earnings per share is based on the net profit for the year attributable to owners of the Company of RMB 7,283,127,039 (2009: RMB 5,329,737,727) and on the weighted average number of ordinary shares outstanding during the year of RMB 10,995,210,218 (2009: RMB 10,995,210,218) shares.

There were no dilutive potential shares during the years presented above.

## 16 Dividends

A cash dividend of RMB 0.07 per share, resulting in a dividend payment of RMB 769,664,715 in respect of the year ended 31 December 2009 was declared and paid during the year ended 31 December 2010.

A cash dividend of RMB 0.05 per share, resulting in a dividend payment of RMB 549,760,511 in respect of the year ended 31 December 2008 was declared and paid during the year ended 31 December 2009.

A cash dividend of RMB 0.10 per share, resulting in a dividend payment of RMB 1,099,521,022 in respect of the year ended 31 December 2010 are to be proposed at the Company's forthcoming annual general meeting. The dividend has not been recognised as a liability at the balance sheet date.

**17 Property, plant and equipment**

	<i>Hotel and other buildings held for own use</i>	<i>Improvements to premises</i>	<i>Plant and machinery</i>	<i>Furniture, fixtures and equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
<b>Cost:</b>						
At 1 January 2009	1,274,268,771	76,140,788	26,226,836	180,480,657	90,150,078	1,647,267,130
Additions:						
- via acquisitions of subsidiaries	-	-	-	1,829,457	-	1,829,457
- others	369,095,382	8,874,508	262,924	15,328,150	7,879,982	401,440,946
Disposals	(157,500,457)	(14,958,775)	(284,494)	(9,929,704)	(9,908,872)	(192,582,302)
At 31 December 2009	<u>1,485,863,696</u>	<u>70,056,521</u>	<u>26,205,266</u>	<u>187,708,560</u>	<u>88,121,188</u>	<u>1,857,955,231</u>
At 1 January 2010	1,485,863,696	70,056,521	26,205,266	187,708,560	88,121,188	1,857,955,231
Additions	328,253,317	18,673,900	1,594,310	26,835,907	23,042,503	398,399,937
Disposals	(128,580,968)	(3,756,875)	(620,128)	(11,150,925)	(10,354,929)	(154,463,825)
At 31 December 2010	<u>1,685,536,045</u>	<u>84,973,546</u>	<u>27,179,448</u>	<u>203,393,542</u>	<u>100,808,762</u>	<u>2,101,891,343</u>

**17 Property, plant and equipment (continued)**

	<i>Hotel and other buildings held for own use</i>	<i>Improvements to premises</i>	<i>Plant and machinery</i>	<i>Furniture, fixtures and equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
<b>Accumulated depreciation and impairment loss:</b>						
At 1 January 2009	150,629,531	38,650,942	9,698,874	99,458,158	58,228,694	356,666,199
Additions:						
- via acquisitions of subsidiaries	-	-	-	630,938	-	630,938
Charge for the year	44,132,194	5,720,427	1,368,366	26,715,773	9,897,271	87,834,031
Written back on disposals	(28,034,425)	(13,159,161)	(218,800)	(7,231,490)	(7,794,097)	(56,437,973)
At 31 December 2009	<u>166,727,300</u>	<u>31,212,208</u>	<u>10,848,440</u>	<u>119,573,379</u>	<u>60,331,868</u>	<u>388,693,195</u>
At 1 January 2010	166,727,300	31,212,208	10,848,440	119,573,379	60,331,868	388,693,195
Additions	59,567,105	18,387,544	2,103,299	18,498,107	13,005,762	111,561,817
Written back on disposals	(1,792,661)	(3,678,689)	(515,275)	(9,999,578)	(8,072,696)	(24,058,899)
At 31 December 2010	<u>224,501,744</u>	<u>45,921,063</u>	<u>12,436,464</u>	<u>128,071,908</u>	<u>65,264,934</u>	<u>476,196,113</u>
<b>Net book value:</b>						
At 31 December 2010	<u>1,461,034,301</u>	<u>39,052,483</u>	<u>14,742,984</u>	<u>75,321,634</u>	<u>35,543,828</u>	<u>1,625,695,230</u>
At 31 December 2009	<u>1,319,136,396</u>	<u>38,844,313</u>	<u>15,356,826</u>	<u>68,135,181</u>	<u>27,789,320</u>	<u>1,469,262,036</u>

## 18 Investment properties

	2010	2009
<b>Cost:</b>		
At 1 January	256,641,320	225,849,490
Reclassification from completed properties for sale	15,216,622	117,043,338
Disposals	<u>(121,457,222)</u>	<u>(86,251,508)</u>
At 31 December	<u>150,400,720</u>	<u>256,641,320</u>
<b>Accumulated depreciation and impairment loss:</b>		
At 1 January	28,498,162	27,454,723
Charge for the year	5,245,393	7,738,355
Written back on disposals	<u>(12,519,030)</u>	<u>(6,694,916)</u>
At 31 December	<u>21,224,525</u>	<u>28,498,162</u>
<b>Net book value:</b>		
At 31 December	<u>129,176,195</u>	<u>228,143,158</u>

Investment properties comprise certain commercial properties that are leased to third parties. The directors, having regard to recent market transactions of similar properties in the same location as the Group's investment properties, consider the estimated fair value of the investment properties to be RMB 147,471,563 (2009: RMB 258,970,079).

The Group leases out investment properties under operating leases. The leases typically run for an initial period of two to twenty years. None of the leases includes contingent rentals.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2010	2009
Within 1 year	2,737,406	11,881,321
After 1 year but within 5 years	6,211,900	45,034,409
After 5 years	<u>5,354,500</u>	<u>97,352,090</u>
	<u>14,303,806</u>	<u>154,267,820</u>

## 19 Construction in progress

	2010	2009
At 1 January	593,208,234	188,587,023
Additions	183,514,194	622,987,458
Transferred to property, plant and equipment	<u>(12,440,287)</u>	<u>(218,366,247)</u>
	<u>764,282,141</u>	<u>593,208,234</u>

Construction in progress represents self-constructed office premises and owner managed hotel under construction.

## 20 Principal subsidiaries

<i>Name of company</i>	<i>Place of establishment and operation</i>	<i>Paid in capital</i>	<i>Ownership interest</i>	<i>Principal activities</i>
Anshan Vanke Property Development Co., Ltd.	Anshan	USD5,172,700	100%	Property development
Beijing Chaoyang Vanke Property Development Company Limited	Beijing	RMB200,000,000	60%	Property development
Beijing Vanke Enterprises Shareholding Company Limited	Beijing	RMB2,000,000,000	100%	Property development
Beijing Vanke Property Management Company Limited	Beijing	RMB22,000,000	100%	Property management
Beijing Vanke Zhongliang Jiarifengjing Real Estate Development Company Limited (note)	Beijing	RMB830,000,000	50%	Property development
Changchun Vanke Real Estate Company Limited	Changchun	RMB50,000,000	100%	Property development
Changsha Vanke Property Management Company Limited	Changsha	RMB5,000,000	100%	Property management
Chengdu Vanke Chenghua Property Company Limited	Chengdu	RMB554,479,142	100%	Property development
Chengdu Vanke Guanghua Property Company Limited	Chengdu	USD131,428,571	100%	Property development
Chengdu Vanke Guobin Property Company Limited	Chengdu	USD140,000,000	60%	Property development
Chengdu Vanke Huadong Real Estate Company Limited	Chengdu	RMB77,680,000	90%	Property development
Chengdu Vanke Jinjiang Property Company Limited	Chengdu	RMB10,000,000	100%	Property development
Chengdu Vanke Property Management Company Limited	Chengdu	RMB5,000,000	100%	Property management
Chengdu Vanke Real Estate Company Limited	Chengdu	RMB80,000,000	100%	Property development
Chongqing Yu Development Coral Property Company Limited	Chongqing	RMB20,000,000	51%	Property development
Dalian Vanke City Real Property Company Limited	Dalian	USD42,000,000	55%	Property development
Dalian Vanke Real Estate Development Company Limited	Dalian	RMB32,000,000	100%	Property development
Dongguan Songhuju Property Company Limited	Dongguan	RMB10,000,000	100%	Property development

## 20 Principal subsidiaries (continued)

<i>Name of company</i>	<i>Place of establishment and operation</i>	<i>Paid in capital</i>	<i>Ownership interest</i>	<i>Principal activities</i>
Dongguan Vanke Construction Research Company Limited	Dongguan	RMB20,000,000	100%	Construction research
Dongguan Vanke Property Management Company Limited	Dongguan	RMB5,000,000	100%	Property management
Dongguan Vanke Real Estate Company Limited	Dongguan	RMB20,000,000	100%	Property development
Dongguan Xintong Industry Investment Company Limited	Dongguan	RMB10,000,000	51%	Property development
Dongguan Xinwan Property Development Company Limited	Dongguan	RMB10,000,000	51%	Property development
Foshan Nanhai District Jinyulanwan Propoerty Company Limited	Foshan	USD190,000,000	55%	Property development
Foshan Vanke Real Estate Company Limited	Foshan	RMB80,000,000	100%	Property development
Fushun Vanke Property Development Co., Ltd.	Fushun	RMB10,000,000	100%	Property development
Fuyang Vanke Real Estate Development Company Limited	Hangzhou	RMB300,000,000	100%	Property development
Fuzhou Vanke Real Estate Company Limited	Fuzhou	RMB20,000,000	100%	Property development
Guangzhou Pengwan Property Company Limited (note)	Guangzhou	RMB200,000,000	50%	Property development
Guangzhou Vanke Property Management Company Limited	Guangzhou	RMB5,000,000	100%	Property management
Guangzhou Vanke Real Estate Company Limited	Guangzhou	RMB100,000,000	100%	Property development
Guangzhou Wanxin Property Company Limited	Guangzhou	HKD760,000,000	100%	Property development
Guiyang Vanke Real Estate Company Limited	Guiyang	RMB100,000,000	100%	Property development
Hainan Fuchun East Real Estate Development Company Limited	Hainan	RMB20,000,000	100%	Property development
Hainan Vanke Property Development Company Limited	Hainan	RMB10,000,000	100%	Property development
Hangzhou Liangzhu Culture Town Development Company Limited	Hangzhou	RMB30,000,000	100%	Property development
Hangzhou Liangzhu Egret Bay Holiday Hotel Company Limited	Hangzhou	RMB10,000,000	100%	Hotel services
Hangzhou Linlu Property Development Company Limited	Hangzhou	RMB170,000,000	100%	Property development

## 20 Principal subsidiaries (continued)

<i>Name of company</i>	<i>Place of establishment and operation</i>	<i>Paid in capital</i>	<i>Ownership interest</i>	<i>Principal activities</i>
Hangzhou Vanke Junyuan Property Company Limited	Hangzhou	USD66,660,000	100%	Property development
Hangzhou Wankun Property Development Company Limited	Hangzhou	RMB350,000,000	51%	Property development
Hefei Vanke Property Company Limited	Hefei	RMB20,000,000	100%	Property development
Huizhou Vanke Property Company Limited	Huizhou	RMB10,000,000	100%	Property development
Jiangsu Sunan Vanke Real Estate Company Limited	Suzhou	RMB30,000,000	100%	Property development
Jiaxing Vanke Property Development Co., Ltd.	Jiaxing	RMB100,000,000	100%	Property development
Kunming Vanke Property Development Co., Ltd.	Kunming	RMB20,000,000	100%	Property development
Nanjing Hengyue Property Company Limited	Nanjing	RMB10,000,000	100%	Property development
Nanjing Jinyu Blue Bay Property Company Limited	Nanjing	RMB90,000,000	100%	Property development
Nanjing Vanke Property Company Limited	Nanjing	RMB150,000,000	100%	Property development
Ningbo Jiangbei Vanke Property Development Company Limited	Ningbo	RMB675,000,000	100%	Property development
Ningbo Vanke Real Estate Company Limited	Ningbo	RMB150,000,000	100%	Property development
Qingdao Da Shan Real Estate Development Company Limited	Qingdao	RMB100,000,000	60%	Property development
Qingdao Vanke Real Estate Company Limited	Qingdao	RMB20,000,000	100%	Property development
Qingdao Vanke Yinshengtai Real Estate Development Co., Ltd	Qingdao	RMB100,000,000	80%	Property development
Qingyuan Hongmei Investment Company Limited	Qingyuan	RMB280,000,000	95%	Property development
Shanghai Dijie Property Company Limited (note)	Shanghai	RMB20,000,000	50%	Property development
Shanghai Hengda Property Shareholding Company Limited	Shanghai	RMB141,348,200	99.8%	Property development
Shanghai Luolian Property Company Limited.	Shanghai	RMB470,000,000	100%	Property development
Shanghai Meilanhuafu Property Company Limited	Shanghai	RMB700,000,000	100%	Property development
Shanghai Tianyi Property Development Company Limited	Shanghai	RMB50,000,000	90%	Property development
Shanghai Vanke Baobei Property Company Limited	Shanghai	RMB10,000,000	100%	Property development
Shanghai Vanke Investment Management Company Limited	Shanghai	RMB204,090,000	100%	Property development

## 20 Principal subsidiaries (continued)

<i>Name of company</i>	<i>Place of establishment and operation</i>	<i>Paid in capital</i>	<i>Ownership interest</i>	<i>Principal activities</i>
Hangzhou Vanke Property Company Limited	Hangzhou	RMB320,000,000	100%	Property development
Shanghai Vanke Property Management Company Limited	Shanghai	RMB12,260,000	100%	Property management
Shanghai Vanke Pudong Property Company Limited	Shanghai	RMB160,000,000	100%	Property development
Shanghai Vanke Real Estate Company Limited	Shanghai	RMB800,000,000	100%	Property development
Shanghai Xiangda Real Estate Development Company Limited	Shanghai	RMB1,783,000,000	75%	Property development
Shanxi Hualian Property Development Company Limited	Xi'an	RMB367,850,000	51%	Property development
Shenyang Vanke Hunnan Jinyu Property Development Company Limited	Shenyang	RMB1,022,520,258	100%	Property development
Shenyang Vanke Jinyu Blue Bay Property Development Company Limited	Shenyang	RMB578,150,000	100%	Property development
Shenyang Vanke Property Management Company Limited	Shenyang	RMB10,000,000	100%	Property management
Shenyang Vanke Real Estate Development Company Limited	Shenyang	RMB100,000,000	100%	Property development
Shenyang Vanke Tianqinwan Property Company Limited	Shenyang	USD99,980,000	55%	Property development
Shenzhen Fuchun East (Group) Company Limited	Shenzhen	USD14,600,000	100%	Property development
Shenzhen Fuchun East Real Estate Company Limited	Shenzhen	RMB158,000,000	100%	Property development
Shenzhen Longcheer Yacht Club Company Limited	Shenzhen	RMB57,100,000	100%	Club service
Shenzhen Vanke City Scenery Property Company Limited	Shenzhen	RMB120,000,000	100%	Property development
Shenzhen Vanke Daolin Investment Development Company Limited	Shenzhen	RMB20,000,000	100%	Property development
Shenzhen Vanke Financial Consultancy Company Limited	Shenzhen	RMB15,000,000	100%	Investment trading and Consultancy services
Shenzhen Vanke Nancheng Real Estate Company Limited	Shenzhen	RMB10,000,000	100%	Property development
Shenzhen Vanke Property Management Company Limited	Shenzhen	RMB50,000,000	100%	Property management
Shenzhen Vanke Real Estate Company Limited	Shenzhen	RMB600,000,000	100%	Property development
Shenzhen Vanke Xingye Property Company Limited	Shenzhen	RMB62,413,230	100%	Property development
Shenzhen Vanke Xizhigu Real Estate Company Limited	Shenzhen	RMB10,000,000	60%	Property development
Suzhou Huihua Investment and Property Company Limited	Suzhou	RMB355,000,000	51%	Property development



## 20 Principal subsidiaries (continued)

<i>Name of company</i>	<i>Place of establishment and operation</i>	<i>Paid in capital</i>	<i>Ownership interest</i>	<i>Principal activities</i>
Suzhou Nandu Jianwu Company Limited	Suzhou	RMB300,000,000	70%	Property development
Suzhou Vanke Zhongliang Property Company Limited	Suzhou	RMB230,000,000	51%	Property development
Tangshan Vanke Property Development Co., Ltd.	Beijing	RMB200,000,000	100%	Property development
Tianjin Vanke Property Management Company Limited	Tianjin	RMB10,000,000	100%	Property management
Tianjin Vanke Real Estate Company Limited	Tianjin	RMB390,000,000	100%	Property development
Tianjin Vanke Xinlicheng Company Limited	Tianjin	RMB230,000,000	100%	Property development
Tianjin Wanbin Real Estate Development Company Limited	Tianjin	RMB455,000,000	60%	Property development
Tianjin Wanfu Investment Company Limited	Tianjin	RMB192,000,000	100%	Property development
Tianjin Wanzhu Investment Company Limited	Tianjin	RMB20,000,000	100%	Property development
Tianjin Zhongtian Wanfang Investment Company Limited	Tianjin	RMB20,000,000	100%	Property development
Vanke (Chongqing) Real Estate Company Limited	Chongqing	RMB100,000,000	100%	Property development
Vanke Property (Hong Kong) Company Limited	Hong Kong	USD9,500,000	100%	Investment
Vanke Real Estate (Hong Kong) Company Limited	Hong Kong	HKD15,600,000	100%	Investment
Wuhan Guohao Property Company Limited	Wuhan	RMB10,000,000	55%	Property development
Wuhan Vanke Property Management Company Limited	Wuhan	RMB12,000,000	100%	Property management
Wuhan Vanke Real Estate Company Limited	Wuhan	RMB150,000,000	100%	Property development
Wuhan Vanke Tiancheng Real Estate Company Limited	Wuhan	USD12,100,000	55%	Property development
Wuhan Wangjiadun Morden City Property Company Limited	Wuhan	RMB200,000,000	100%	Property development
Wuxi Dongcheng Real Estate Company Limited	Wuxi	USD149,400,000	100%	Property development
Wuxi Vanke Real Estate Company Limited	Wuxi	RMB300,000,000	60%	Property development
Wuxi Wansheng Real Estate Development Company Limited	Wuxi	USD49,200,000	100%	Property development
Xiamen Vanke Real Estate Company Limited	Xiamen	RMB50,000,000	100%	Property development
Xi'an Vanke Real Estate Company Limited	Xi'an	RMB20,000,000	100%	Property development

## 20 Principal subsidiaries (continued)

<i>Name of company</i>	<i>Place of establishment and operation</i>	<i>Paid in capital</i>	<i>Ownership interest</i>	<i>Principal activities</i>
Xinjiang Vanke Real Estate Company Limited	Wulumuqi	RMB100,000,000	100%	Property development
Yangzhou Wanwei Property Company Limited	yangzhou	RMB550,000,000	65%	Property development
Taiyuan Vanke Real Estate Company Limited	Taiyuan	RMB20,000,000	100%	Property development
Tander China Investment Company Limited	Hong Kong	HKD10,000	100%	Investment
Yantai Vanke Property Development Co., Ltd.	Yantai	RMB30,000,000	100%	Property development
Zhejiang Vanke Nandu Real Estate Company Limited	Hangzhou	RMB150,000,000	100%	Property development
Zhejiang Rundu Property Company Limited	Zhenjiang	RMB20,000,000	100%	Property development
Zhejiang Runnan Property Company Limited	Zhenjiang	RMB50,000,000	100%	Property development
Zhejiang Runqiao Property Company Limited	Zhenjiang	RMB10,000,000	100%	Property development
Zhejiang Runzhong Property Company Limited	Zhenjiang	RMB10,000,000	100%	Property development
Zhuhai Vanke Real Estate Company Limited	Zhuhai	RMB10,000,000	100%	Property development
Zhuhai Zhubin Property Development Company Limited	Zhuhai	RMB109,000,000	95%	Property development

Note: The directors consider these entities as subsidiaries of the Group as the Group has the power to govern the financial and operating policies of these entities.

## 21 Interest in associates

Details of the Group's principal associates at 31 December 2010 are as follows:

<i>Name of company</i>	<i>Place of establishment and operation</i>	<i>Paid in capital</i>	<i>Ownership interest</i>	<i>Principal activities</i>
Beijing Jinyu Vanke Property Development Company Limited	Beijing	RMB190,000,000	49%	Property development
Wuhan Golf City Gardern Real Estate Company Limited (note 1)	Wuhan	RMB219,000,000	49%	Property development
Shanghai Nandu White Horse Real Estate Company Limited (note 1)	Shanghai	RMB27,000,000	49%	Property development
Chengdu Yihang Vanke Binjiang Real Estate Company Limited (note 1)	Chengdu	RMB140,000,000	49%	Property development
Hefei Yihang Vanke Real Estate Company Limited (note 2)	Hefei	RMB101,500,000	50%	Property development
Suzhou Zhonghang Vanke Changfeng Real Estate Company Limited (note 1)	Suzhou	RMB280,000,000	49%	Property development
Changsha Oriental City Real Estate Company Limited	Changsha	RMB20,000,000	20%	Property development

## 21 Interest in associates (continued)

<i>Name of company</i>	<i>Place of establishment and operation</i>	<i>Paid in capital</i>	<i>Ownership interest</i>	<i>Principal activities</i>
Shanghai Zunyi Property Management Company Limited	Shanghai	RMB3,000,000	30%	Property management
Foshan Shunde District Zhonghang Vanke Property Company Limited	Foshan	RMB600,000,000	15%	Property development
Xiamen Wantefu Property Development Company Limited	Xiamen	RMB400,000,000	30%	Property development
Guangzhou Yinyejunrui Property Development Company Limited	Guangzhou	RMB10,000,000	49%	Property development
Shanghai Jingyuan Property Development Company Limited	Shanghai	RMB30,000,000	45%	Property development
Langfang Kuangshijiye Property Development Company Limited (note 2)	Langfang	USD50,000,000	50%	Property development
Shanghai Vanke Changning Property Development Company Limited	Shanghai	RMB30,000,000	49%	Property development
Shanghai Chongwan Property Development Company Limited	Shanghai	RMB10,000,000	49%	Property development
Shenyang Zhongtie Vanke Langyu Property Development Company Limited (note 2)	Shenyang	RMB100,000,000	51%	Property development
Chongqing Wanbin Property Development Company Limited	Chongqing	RMB40,000,000	45%	Property development

Notes:

- (1) Except for the 15% equity interest held directly, the Group also hold 34% effective equity interest in these associates through a jointly controlled entity.
- (2) Pursuant to the voting rights in the board of directors, the Group has significant influence in these entities.

Summary financial information for associates:

	<i>Assets</i>	<i>Liabilities</i>	<i>Equity attributable to parent</i>	<i>Revenue</i>	<i>Profit</i>
<b>2010</b>					
100 per cent	18,944,068,998	16,041,669,436	2,902,399,562	2,132,331,659	259,959,560
Group's effective interest	<u>7,936,100,353</u>	<u>6,900,224,451</u>	<u>1,035,875,902</u>	<u>6,802,932,796</u>	<u>135,391,172</u>
<b>2009</b>					
100 per cent	10,271,806,802	8,013,212,222	2,258,594,580	7,412,023,684	1,562,276,704
Group's effective interest	<u>4,220,037,527</u>	<u>3,510,525,247</u>	<u>709,512,280</u>	<u>2,276,229,781</u>	<u>392,250,939</u>

## 22 Interest in jointly controlled entities

Details of the Group's principal jointly controlled entities at 31 December 2010 are as follows:

<i>Name of company</i>	<i>Place of establishment and operation</i>	<i>Paid in capital</i>	<i>Ownership</i>	
			<i>interest</i>	<i>Principal activities</i>
Shanghai Jialai Real Estate Development Company Limited (note 1)	Shanghai	RMB180,000,000	49%	Property development
Zhonghang Vanke Company Limited (note 1)	Beijing	RMB3,000,000,000	40%	Property development
Dongguan Vanke Property Company limited	Dongguan	RMB10,000,000	50%	Property development
Wuhan Vanke Qinganju Property Development Limited (note 1)	Wuhan	RMB100,000,000	30%	Property development
Yunnan Vanke City Property Company Limited (note 2)	Kunming	RMB10,000,000	51%	Property development
Changsha Lingyu Real Estate Development Company Limited (note 1)	Changsha	RMB100,000,000	60%	Property development
Changsha Lingyu Investment Company Limited (note 1)	Changsha	RMB100,000,000	60%	Property development
Beijing Zhongliang Vanke Real Estate Development Company Limited (note 1)	Beijing	RMB800,000,000	50%	Property development
Changchun Vanke Xizhigu Real Estate Development Company Limited	Changchun	RMB50,000,000	50%	Property development
Shanghai Anhong Real Estate Investment Company Limited (note 1)	Shanghai	RMB5,000,000	65%	Property development
Tianjin Diwan Investment Company Limited (note 1)	Tianjin	RMB39,215,700	40%	Property development
Hangzhou Xiangge Investment Management Company Limited	Hangzhou	RMB2,000,000	50%	Management advisory
Hangzhou Dongshang Property Development Company Limited	Hangzhou	RMB20,000,000	50%	Property development
Beijing Wanxin Investment Development Company	Beijing	RMB740,000,000	50%	Investment
Zhuhai Haiyu Property Development Company Limited	Zhuhai	RMB63,800,000	50%	Property development
Shenzhen Haixuan Investment Development Company Limited	Shenzhen	RMB10,000,000	50%	Property development
Shenzhen Mingjue Investment Development Company Limited	Shenzhen	RMB15,000,000	50%	Property development
Changchun Vanke Jingcheng Real Estate Development Company Limited (note 1)	Changchun	RMB230,000,000	10%	Property development
Tianjin Songke Real Estate Company Limited	Tianjin	RMB20,000,000	49%	Property development

## 22 Interest in jointly controlled entities (continued)

Notes:

- (1) A contractual arrangement between the Group and the counterparty of these entities establishes joint control over the financial and operating policies of these entities.
- (2) The Group is entitled to 50% voting right of the entity as the board of directors are appointed by the Group and the counterpart equally.

Summary of financial information for jointly controlled entities – Group’s effective interest

	2010	2009
Non-current assets	1,007,854,238	413,738,553
Current assets	11,412,162,663	6,212,322,249
Non-current liabilities	(1,696,033,060)	(82,050,000)
Current liabilities	<u>(7,349,909,821)</u>	<u>(3,780,133,404)</u>
Net assets	<u>3,374,074,020</u>	<u>2,763,877,398</u>
Income	736,608,594	969,474,034
Expenses	<u>(580,296,720)</u>	<u>(819,864,110)</u>
Profit for the year	<u>156,311,874</u>	<u>149,609,924</u>

## 23 Other financial assets

	2010	2009
<b>Available-for-sale securities in the PRC</b>		
Equity securities		
- Unlisted	483,801,709	91,993,324
- Listed in the PRC	<u>4,763,600</u>	<u>163,629,472</u>
	<u>488,565,309</u>	<u>255,622,796</u>

Unlisted equity securities include RMB 400,000,000 share of interest in an unquoted trust plan, which is measured at cost because it does not have a quoted market price in an active market and its fair value cannot be reliably measured.

## 24 Deferred tax assets / (liabilities)

### (a) *Deferred tax assets*

Deferred tax assets are attributable to the items detailed as follows:

	2010	2009
Tax losses	496,291,102	289,824,752
Bad debt provision	23,576,692	17,811,958
Provision for diminution in value of properties	1,852,014	156,170,130
Accruals for construction costs	164,906,761	145,121,089
Accrual for Land Appreciation Tax	791,527,641	575,409,722
Other temporary differences	165,003,818	81,311,828
	<u>1,643,158,028</u>	<u>1,265,649,479</u>

Deferred tax assets have not been recognised in respect of the following items:

	2010	2009
Tax losses	913,360,587	1,006,670,048
Deductible temporary differences	80,904,533	158,420,591
	<u>994,265,120</u>	<u>1,165,090,639</u>

The tax losses expire between 2011 and 2015. The deductible temporary differences will not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

## 24 Deferred tax assets / (liabilities) (continued)

### (b) *Deferred tax liabilities*

Deferred tax liabilities are attributable to the items detailed as follows:

	2010	2009
Fair value adjustments on available-for-sale securities	-	(28,303,017)
Fair value adjustments arising from business combinations	(1,043,812,713)	(1,192,965,769)
Others	(42,291,625)	-
	<u>(1,086,104,338)</u>	<u>(1,221,268,786)</u>

### (c) *Movements in deferred taxation, net:*

	2010	2009
At 1 January	44,380,693	68,993,006
Transferred to consolidated income statement (note 13(a))	484,369,980	(6,855,066)
Recognised in other comprehensive income (note 13(b))	28,303,017	(17,757,247)
At 31 December	<u>557,053,690</u>	<u>44,380,693</u>

## 25 Other non-current assets

The other non-current assets mainly represent the entrusted loans and prepayments for acquisitions of equity-accounted investees.

## 26 Inventories

	2010	2009
Raw materials	<u>93,090,534</u>	<u>59,998,046</u>
Inventories recognised as cost of sales for the year	<u>14,611,519</u>	<u>11,432,652</u>

## 27 Properties held for development, properties under development and completed properties for sale

### (a) *The analysis of carrying value of land held for property development for sale is as follows:*

	2010	2009
With lease term of 50 years or more	74,120,183,049	56,788,947,082
With lease term of less than 50 years	8,117,186,497	3,624,287,723
	<u>82,237,369,546</u>	<u>60,413,234,805</u>

**27 Properties held for development, properties under development and completed properties for sale (continued)**

(b) *The analysis of the amount of completed properties for sale recognised as an expense is as follows:*

	2010	2009
Carrying amount of properties sold	29,629,562,621	34,219,897,859
Write down of properties	-	150,693
Reversal of write-down of properties	616,667,200	(616,565,282)
	30,246,229,821	33,603,483,270

The reversal of write-down of properties made in prior years arose due to an increase in the estimated net realisable value of certain properties held for development, properties under development and completed properties for sale as a result of recovery in certain regional property markets.

(c) Included in properties held for development, property under development and completed properties for sale an amount of RMB 44,150 million (2009: RMB 52,736 million) is not expected to be recovered within one year.

**28 Trade and other receivables**

	2010	2009
Debtors and other receivables	10,438,706,738	4,381,802,497
Less: allowance for doubtful debts	(196,807,448)	(163,638,185)
	10,241,899,290	4,218,164,312
Amount due from associates and jointly controlled entities	6,291,361,109	4,281,498,407
Less: allowance for doubtful debts	(922,620)	(661,378)
	6,290,438,489	4,280,837,029
Prepaid taxes	4,900,760,138	1,979,482,542
Deposits and prepayments	12,937,243,327	6,756,836,958
	34,370,341,244	17,235,320,841

Note: Deposits and prepayments represent deposits paid for purchasing properties held for development and prepayments to contractors for constructions.

The Group's credit policy is set out in note 40(b).

All of the trade and other receivables, apart from receivables of RMB 693 million (2009: RMB 806 million), are expected to be recovered within one year.



## 28 Trade and other receivables (continued)

Apart from the amounts due from associates and jointly controlled entities of RMB 1,843 million (2009: RMB 2,206 million) which are interest bearing at market interest rate, amounts due from associates and jointly controlled entities are interest free, unsecured and have no fixed terms of repayment.

Deposits and prepayments mainly represent tendering deposits for acquisitions of land and prepayment for land and development costs of projects undertaken by the Group.

### *Impairment of trade debtors and other receivables*

Impairment losses in respect of trade debtors and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly.

The movements in the allowance for specific doubtful debts during the year are as follows:

	2010	2009
At 1 January	164,299,563	142,462,053
Impairment loss recognised	71,216,196	28,275,933
Uncollectible amounts written off	(37,785,691)	(6,438,423)
At 31 December	<u>197,730,068</u>	<u>164,299,563</u>

At 31 December 2010, the Group's trade debtors and other receivables of RMB 198 million, (2009: RMB 164 million) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB 198 million (2009: RMB 164 million) were recognised. The Group does not hold any collateral over these balances.

### *Trade debtors and other receivables that are not impaired*

The ageing analysis of trade debtors and other receivables that are neither individually nor collectively considered to be impaired are as follows:

	2010	2009
Neither past due nor impaired	14,703,122,236	4,841,756,331
Less than 1 year past due	1,829,215,543	520,080,632
	<u>16,532,337,779</u>	<u>5,361,836,963</u>

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

## 28 Trade and other receivables (continued)

### *Trade debtors and other receivable that are not impaired (continued)*

Receivables that were past due but not impaired relate to a number of independent debtors that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

## 29 Cash and cash equivalents and pledged deposits

	2010	2009
- Cash in hand	1,993,017	1,465,333
- Deposits at banks	37,809,601,086	22,995,999,167
- Other cash equivalents	5,338,809	4,459,331
	37,816,932,912	23,001,923,831

Cash and cash equivalents and pledged deposits consist of cash on hand and balances with banks. The balance includes deposits with banks of RMB 2,720 million (2009: RMB 999 million) and RMB 374 million (2009: RMB 403 million) unused proceeds raised in prior year share allotment with restriction for designated purposes.

## 30 Share capital

	2010		2009	
	<i>Number of shares</i>	<i>Nominal value</i>	<i>Number of shares</i>	<i>Nominal value</i>
Registered, issued and fully paid:				
A shares of RMB1 each	9,680,254,750	9,680,254,750	9,680,254,750	9,680,254,750
B shares of RMB1 each	1,314,955,468	1,314,955,468	1,314,955,468	1,314,955,468
	10,995,210,218	10,995,210,218	10,995,210,218	10,995,210,218

The holders of A and B share are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

There were no movement in share capital during 2009 and 2010.

## 31 Reserves

### (a) *Statutory reserves*

Statutory reserves include the following items:

#### (i) Statutory surplus reserve

According to the PRC Company Law, the Company is required to transfer 10% of its profit after taxation, as determined under PRC Accounting Regulations, to statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to equity shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

For the year ended 31 December 2010, the Company transferred RMB 308,310,815 (2009: RMB 287,447,528), being 10% of the Company's current year's net profit as determined in accordance with the PRC accounting rules and regulations, to this reserve.

#### (ii) Discretionary surplus reserve

The appropriation to the discretionary surplus reserve is subject to the shareholders' approval. The utilisation of the reserve is similar to that of the statutory surplus reserve.

For the year ended 31 December 2010, the directors proposed to transfer RMB 1,541,554,077 (2009: RMB 1,868,408,931), being 50% (2009: 65%) of the Company's current year's net profit as determined in accordance with the PRC accounting rules and regulations, to this reserve.

### (b) *Revaluation reserve*

Revaluation reserve comprises the cumulative net change in fair value of available-for-sale securities held at the balance sheet date and is dealt with in accordance with the accounting policy as stated in note 3(c)(i).

### (c) *Other reserves*

Other reserves are resulted from transactions with owners in their capacity as owners. The movement for the year ended 31 December 2010 mainly represents the capital reserve deficit arising from difference between the fair value and book value of the acquirees' net assets at the dates of acquisitions of non-controlling interests.

### (d) *Retained profits*

At 31 December 2010, included in the retained profits attributable to owners of the Group is an amount of RMB 3,343,250,838 (2009: RMB 2,581,661,025) which represents the Group's subsidiaries' statutory reserves, being attributable to the owners of the Company.

## 31 Reserves (continued)

### (e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing its properties commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in the light of changes in economic conditions, inclusive latest market trend, land price, cash flow and profit forecasts. In order to maintain a sound capital position, the Group may adjust the amount of dividends payable to shareholders, issue new shares, issue bonds or raise new debt financing.

## 32 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the Group's exposure to interest rate and foreign exchange risks, please refer to note 40.

	2010	2009
<b>Non-current</b>		
Secured or guaranteed		
- bank loans (note (a))	4,926,229,291	2,300,254,991
- corporate bonds (note (b))	2,937,122,406	2,915,228,176
- other borrowings (note (c))	1,600,000,000	1,200,000,000
	9,463,351,697	6,415,483,167
Unsecured		
- bank loans (note(a))	11,746,440,000	5,218,451,222
- corporate bonds (note (b))	2,884,022,101	2,878,507,630
- other borrowings (note (c))	6,517,830,000	8,784,092,083
	21,148,292,101	16,881,050,935
	30,611,643,798	23,296,534,102

At 31 December, non-current interest-bearing borrowings and bonds were repayable as follows:

	2010	2009
After 1 year but within 2 years	19,850,291,042	15,934,138,520
After 2 years but within 5 years	10,761,352,756	7,362,395,582
	30,611,643,798	23,296,534,102

## 32 Loans and borrowings (continued)

	2010	2009
<b>Current</b>		
Secured or guaranteed		
- bank loans (note (a))	80,000,000	150,000,000
- current portion of long term bank loans (note (a))	1,395,690,787	1,258,730,915
	1,475,690,787	1,408,730,915
Unsecured		
- bank loans (note (a))	1,300,000,000	1,038,256,111
- entrusted bank loan from jointly controlled entity (note (a))	98,000,000	-
- current portion of long term bank loans (note (a))	3,710,000,000	6,181,683,452
- current portion of long term other borrowings (note (c))	10,200,000,000	-
	15,308,000,000	7,219,939,563
	16,783,690,787	8,628,670,478

### Notes:

(a) Bank loans

The secured or guaranteed bank loans of RMB 6,402 million as at 31 December 2010 (2009: RMB 3,709 million) are secured over certain properties held for development and properties under development with aggregate carrying value of RMB 1,076 million (2009: RMB 3,496 million).

The interest rate of bank loans ranges from 4.86% to 10.20% in 2010 (2009: from 4.86% to 8.33%).

(b) Corporate bonds

	2010	
	<i>Corporate bonds No.101688</i>	<i>Corporate bonds No.101699</i>
Brought forward value at 1 January	2,878,507,630	2,915,228,176
Transaction costs amortised	5,514,471	21,894,230
Carrying value at 31 December	2,884,022,101	2,937,122,406
	2009	
	<i>Corporate bonds No.101688</i>	<i>Corporate bonds No.101699</i>
Brought forward value at 1 January	2,873,650,747	2,894,365,250
Transaction costs amortised	4,856,883	20,862,926
Carrying value at 31 December	2,878,507,630	2,915,228,176

## 32 Loans and borrowings (continued)

### Notes (continued):

#### (b) Corporate bonds (continued)

In September 2008, the Company issued two series of corporate bonds, namely the “No. 101688 Bonds” and the “No. 101699 Bonds”, amounting to RMB 5,900 million. Both Bonds are listed on the Shenzhen Stock Exchange.

The No. 101688 Bonds are with no guarantee and are interests bearing at a rate of 7% per annum payable in arrears on 6 September 2009, 2010 and 2011. In accordance with the terms of the No. 101688 Bonds, on 6 September 2011 the Company has the option to adjust upward the interest rate of the Bonds for the next two years by 0-100 points and each of the Bond is, at the option of the bondholder, redeemable at its par value of RMB 100 each on the same date. If not being redeemed on 6 September 2011, the Bonds are repayable on 6 September 2013 and the interest for the next two years is payable in arrear on 6 September 2012 and 2013.

The No. 101699 Bonds are guaranteed by the China Construction Bank Shenzhen branch and are repayable on 6 September 2013. The Bonds are interest bearing at a rate of 5.5% per annum payable in arrears on 6 September 2009, 2010, 2011, 2012 and 2013.

#### (c) Other borrowings

	2010	2009
<b>Non-current</b>		
Proceeds	8,117,830,000	10,200,000,000
Transaction costs	-	(215,907,918)
	8,117,830,000	9,984,092,082
<b>Current portion of long term other borrowings</b>		
Proceeds	10,200,000,000	-

Other borrowings represent interest bearing borrowings raised from third party lenders through trust companies at market interest rates. The interest rates of these borrowings ranges from 5.04% to 10.05% in 2010 (2009: 4.90% to 5.40%).

## 33 Other non-current liabilities

Other long term liabilities mainly represent the amounts that hold on behalf of the owners committees in the property management sector.

### 34 Trade and other payables

	2010	2009
Trade payable	16,923,777,819	16,300,047,906
Amounts due to associates and jointly controlled entities	2,148,384,968	924,056,119
Deposits received in advance	74,405,197,319	31,734,801,164
Other payables and accrued expenses	12,348,724,974	6,101,542,047
Other taxes	312,259,601	183,964,631
<b>Total</b>	<b><u>106,138,344,681</u></b>	<b><u>55,244,411,867</u></b>

### 35 Provisions

	2010	2009
Balance at 1 January	34,355,815	41,729,468
Provisions made during the year	14,351,190	2,667,737
Provisions used during the year	(7,599,682)	(10,041,390)
<b>Balance at 31 December</b>	<b><u>41,107,323</u></b>	<b><u>34,355,815</u></b>

The balance represents the estimated losses to be borne by the Group in relation to the property management projects.

### 36 Employees' Share Award Scheme

The average closing price of the Company's A shares in 2009 is lower than those in 2007 and 2008. Therefore, the Awarded Shares held under the 2007 Scheme were forfeited as the market performance condition was not met. Such shares were disposed of and the Company received the proceeds in the amount of RMB468,728,084 on 25 January 2010.

The deficit of the sale proceeds less the purchased value of the Awarded Shares under 2007 Scheme is transferred out to other reserves within equity.

### 37 Material related party transactions

(a) *Reference should be made to the following notes regarding related parties:*

Associates	(note 21, 28 & 34)
Jointly controlled entities	(note 22, 28, 32 & 34)
Key management personnel	(see note (b) below)
Post-employment benefit plans	(note 11)

(b) *Key management personnel compensations*

The key management personnel compensations are as follows:

	2010	2009
Short-term employee benefits	<u>91,208,160</u>	<u>77,001,000</u>

The above compensations are included in “personnel expenses” (see note 11).

The Group also provides non-monetary employee benefits to the key management personnel in the form of purchase discount on sale of the Group’s properties to them. Details of such transactions are as follows:

	2010	2009
Sales of properties to the key management personnel	8,803,583	17,766,449
Related cost of sales	<u>(4,639,221)</u>	<u>(9,844,936)</u>
Gross profit	<u>4,164,362</u>	<u>7,921,513</u>
Estimated fair value of the properties sold to the key management personnel	<u>8,803,583</u>	<u>18,579,645</u>

All the above were approved by the Board of Directors as a kind of employment benefits to the key management personnel.

In 2010 the Group launched the Excellence Bonus Plan (the “Plan”) as a supplement to the existing employee remuneration system. The bonus amount attributable to each year is determined by reference to the key performance indicator of Economic Value Added in the corresponding year. The accrued bonus arising from the Plan attributable to the key management personnel has not been included in the short-term employee benefits above as the amount has not been determined or distributed up to 4 March 2011.



### 38 Commitments

(a) *Commitments outstanding at 31 December not provided for in the consolidated financial statements were as follows:*

	2010	2009
Construction and development contracts	19,939,290,788	14,324,784,550
Land agreements	19,829,659,037	11,520,991,770
	39,768,949,825	25,845,776,320

Commitments mainly related to land and development costs for the Group's properties under development.

(b) *At 31 December 2010, the total future minimum lease payments under non-cancellable operating leases are payable as follows:*

	2010	2009
Within 1 year	24,570,464	25,616,859
After 1 year but within 2 years	20,546,767	9,172,514
After 2 year but within 5 years	32,852,954	4,619,928
	77,970,185	39,409,301

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of two to ten years. None of the leases includes contingent rentals. During the year, the operating lease expense of the Group amounted to RMB 68 million (2009: RMB 36 million).

### 39 Contingent liabilities

As at the balance sheet date, the Group has issued guarantees to banks to secure the mortgage arrangement of property buyers. The outstanding guarantees to the banks amounted to RMB 20,299 million (2009: RMB 22,083 million), including guarantees of RMB 20,184 million (2009: RMB 21,272 million) which will be terminated upon the completion of the transfer procedures with the buyers in respect of the legal title of the properties, and guarantees of RMB 115million (2009: RMB 811 million) which will be terminated upon full repayment of mortgage loans by buyers to the banks.

The directors do not consider it probable that the Group will sustain a loss under these guarantees as the bank has the rights to sell the property and recovers the outstanding loan balance from the sale proceeds if the property buyers default payment. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors.

#### **40 Financial risk management and fair values**

Exposure to interest rate, credit, liquidity and currency risks arises in the normal course of the Group's business. The risks are limited by the Group's financial management policies and practices described below.

##### **(a) Interest rate risk**

The Group's interest rate risk arises primarily from its borrowings and bonds. Borrowings and bonds issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The interest rate and terms of repayment of bank loans, borrowings and bonds of the Group are disclosed in note 32 to the consolidated financial statements.

At 31 December 2010, it is estimated that a general increase of 0.5% in interest rates, with all other variables held constant, would decrease the Group's profit after tax by approximately RMB 14 million (2009: RMB 12 million).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The analysis is performed on the same basis for 2009.

##### **(b) Credit risk**

The Group's credit risk is primarily attributable to trade and other receivables and other financial assets. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade receivables, credit risk is minimised as the Group normally receives full payment from buyers before the transfer of property ownership.

In respect of other receivables and other financial assets, the Group reviews the exposures and closely monitors the recoverability of the balances on an ongoing basis. Normally, the Group does not obtain collateral from debtors. The impairment losses on bad and doubtful accounts are within management's expectation.

##### **(c) Liquidity risk**

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long terms.

## 40 Financial risk management (continued)

### (c) Liquidity risk (continued)

The following table details the remaining contractual maturities at the balance sheet date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

	2010				
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 year	More than 2 years but less than 5 years
Loans and borrowings	47,395,334,585	51,864,254,960	19,066,509,124	21,491,838,083	11,305,907,753
Creditors and accrued charges	29,584,762,394	29,584,762,394	29,584,762,394	-	-
Amounts due to jointly controlled entities and associates	2,148,384,968	2,148,384,968	2,148,384,968	-	-
Other non-current liabilities	8,816,121	8,816,121	-	-	8,816,121
	2009				
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 year	More than 2 years but less than 5 years
Loans and borrowings	31,925,204,581	36,077,559,099	10,603,713,529	17,342,290,816	8,131,554,754
Creditors and accrued charges	22,401,589,953	22,401,589,953	22,401,589,953	-	-
Amounts due to jointly controlled entities and associates	924,056,119	924,056,119	924,056,119	-	-
Other non-current liabilities	8,408,145	8,408,145	-	-	8,408,145

### (d) Foreign exchange risk

The Group is exposed to foreign currency risk primarily on cash and cash equivalents and borrowings that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollars, Hong Kong dollars and Japanese Yen.

Cash and cash equivalents denominated in a currency other than the functional currency of the entity to which they relate are as follows:

	2010	2009
United States Dollars	282,659,984	806,368,281
Hong Kong Dollars	15,734,761	8,147,723
Japanese Yen	192,437,536	-

Interest-bearing borrowings denominated in a currency other than the functional currency of the entity to which they relate are as follows:

	2010	2009
United States Dollars	4,530,407,777	2,602,202,906

## 40 Financial risk management (continued)

### (d) Foreign exchange risk (continued)

#### Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date. The sensitivity analysis includes balances between group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower.

	Increase / (decrease) in foreign exchange rates	2010		2009	
		Effect on profit after tax and retained profits	Effect on other components of equity	Effect on profit after tax and retained profits	Effect on other components of equity
United States Dollars	10%	318,581,085	318,397,848	(134,687,597)	(134,492,028)
United States Dollars	(10%)	(318,581,085)	(318,397,848)	134,687,597	134,492,028
Hong Kong Dollars	10%	(1,180,107)	(376,740,966)	(611,079)	(213,039,426)
Hong Kong Dollars	(10%)	1,180,107	376,740,966	611,079	213,039,426
JPY	10%	(14,432,815)	-	-	-
JPY	(10%)	14,432,815	-	-	-

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the group entities' exposure to currency risk for non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

### (e) Accounting classifications and fair values

#### Fair values versus carrying amounts

The fair values of the financial assets and liabilities, together with the carrying amounts shown in the statement of the financial position, are as follows:

31 December 2010						
<i>In millions of RMB</i>	Trading	Loans and receivables	Available- for-sale	Other financial liabilities	Total carrying amount	Fair value
Trade and other receivables	-	34,370	-	-	34,370	34,370
Cash and cash equivalents and pledged deposits	-	37,817	-	-	37,817	37,817
Other financial assets	-	-	489	-	489	489
Other non-current assets	-	1,056	-	-	1,056	1,056
	-	73,243	489	-	73,732	73,732
Loans and borrowings	-	-	-	(47,395)	(47,395)	(47,395)
Financial derivatives	(15)	-	-	-	(15)	(15)
Trade and other payables	-	-	-	(106,138)	(106,138)	(106,138)
	(15)	-	-	(153,533)	(153,548)	(153,548)

## 40 Financial risk management (continued)

### (e) Accounting classifications and fair values (continued)

#### Fair values versus carrying amounts (continued)

##### 31 December 2009

<i>In millions of RMB</i>	Trading	Loans and receivables	Available-for-sale	Other financial liabilities	Total carrying amount	Fair value
Trade and other receivables	-	17,235	-	-	17,235	17,235
Financial derivatives	1	-	-	-	1	1
Cash and cash equivalents and pledged deposits	-	23,002	-	-	23,002	23,002
Other financial assets	-	-	256	-	256	256
	1	40,237	256	-	40,494	40,494
	1	40,237	256	-	40,494	40,494
Loans and borrowings	-	-	-	(31,925)	(31,925)	(31,925)
Trade and other payables	-	-	-	(55,244)	(55,244)	(55,244)
	-	-	-	(87,169)	(87,169)	(87,169)
	-	-	-	(87,169)	(87,169)	(87,169)

#### Fair values hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (observable inputs).

##### 31 December 2010

<i>In millions of RMB</i>	Level 1	Level 2	Level 3	Total
Financial derivatives	(15)	-	-	(15)

##### 31 December 2009

<i>In millions of RMB</i>	Level 1	Level 2	Level 3	Total
Other financial assets	164	-	-	164
Financial derivatives	-	1	-	1
	164	1	-	165
	164	1	-	165

#### **41 Non-adjusting post balance sheet events**

After the balance sheet date the directors proposed a final dividend, further details of which are disclosed in note 16.

#### **42 Comparative figures**

Certain comparative figures have been reclassified to conform with the current year's presentation.

#### **43 Accounting estimates and judgments**

##### *Key sources of estimation uncertainty*

- (i) Impairment provision for properties held for development, properties under development and completed properties for sale

As explained in notes 3(j) and 3(k), the Group's properties held for development, properties under development and completed properties for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in cases for properties held for development and properties under development, and the costs to be incurred in selling the properties. Given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than that estimated at the balance sheet date. Any increase or decrease in the provision would affect profit or loss in future years.

- (ii) Land appreciation tax

As explained in note 13(a), land appreciation tax is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use rights, borrowing cost and relevant property development expenditures. Given the uncertainties of the calculation basis of land appreciation tax to be interpreted by the local tax bureau, the actual outcomes may be higher or lower than that estimated at the balance sheet date. Any increase or decrease in estimates would affect profit or loss in future years.

#### **44 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2010**

Up to date of issue of the consolidated financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2010 and which have not been adopted in the consolidated financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application.

So far it has concluded that the adoption of them is unlikely to result in a restatement of the Group's results of operations and financial position.

In addition, the following developments are expected to result in amended disclosures in the financial statements, including restatement of comparative amounts in the first period of adoption:

*Effective for  
accounting periods  
beginning on or after*

Amendments to IAS 24, <i>Related Party Disclosures</i>	1 January 2011
Amendments to IFRS 7, <i>Financial instruments:</i>	
<i>Disclosures - Transfers of financial assets</i>	1 July 2011
IFRS 9, <i>Financial Instruments</i>	1 January 2013