

2011 Annual Report

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 Xiao Li, Independent Director Zhang Liping, Independent Director Paul Chan Mo Po 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 Xiao Li to represent him and vote on his behalf at the board meeting. Independent Director Qi Daqing was not able to attend the board meeting in person due to business engagements and had authorised Independent Director Paul Chan Mo Po to represent him and vote on his behalf at the board meeting. Independent Director Hua Sheng was not able to attend the board meeting in person due to business engagements and had authorised Independent Director Zhang Liping 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

This winter feels like *déjà vu*. Perhaps, there is nothing new under the sun, and history merely repeats itself. Since 2006, we have undergone a complete industry cycle. Another winter should not come as a surprise, nor should it bring fear --- for the factors determining the industry prospects and its upward trend have remained unchanged. So were the deep-rooted contradictions that had caused the short-term ripples in the market. Although they had gone through several adjustments, these contradictions were actually nothing new. On this subject, we had discussed before in our past annual reports.

Of course, the ups and downs of a market cannot be compared to the changing seasons of Nature. Each season arrives in order, and to know when it is the exact time for a season change is not that difficult. Yet, it would be a much more difficult task to make a similar precise prediction for a change in market cycles. Reason is that the market is human affairs. Humans have expectations. They have the ability to draw conclusions on things with regular patterns and they will try to exploit them as fully as possible. Moreover, people vary in observations, estimations, expectations and actions, and because of these differences, each individual will have his/her influence, whether big or small, on the development of things with regular patterns. As such, human affairs are not constant, without change, which are the characteristics of affairs governed by the law of nature.

Change and constancy

What is invariable in a market is perhaps change, and what is certain is its characteristic of uncertainty. That is why we have been advocating “response over prediction” and opposing to over estimating and superstitiously believing in one’s own ability to make predictions – even though we have competitive edge in such a power. And maybe what is more important than “response” is “constancy” – unwavering faith and aspirations, understanding of the perpetual business logic and stable business strategy.

In the past reports, we have discussed in detail the reasons for the existence of an enterprise, the mission of professional managers, and China Vanke’s unwavering operating principles. Each individual or organisation may make a different choice on these issues, but once the choice is made, it will normally remain unchanged, or even become a path dependence that is difficult to change.

Business strategy, on the other hand, is normally more flexible. Most of the companies will choose, based on their evaluation of market changes, a strategy that they believe is appropriate at the time. However, when the short-term change in the market has become extremely complex or even reversed its direction within a period of time too short for a company’s strategy to take effect, frequent adjustments to the strategy may be futile. When it is easier to gauge the market’s long-term development direction than its short-time volatility, the stability of a business strategy is perhaps more important than its flexibility.

China Vanke’s business strategies are relatively stable. These strategies include: insist on building small and furnished units; insist on quick turnover and a land bank just sufficient to meet its development needs; attach great importance to collaboration; prudent investment strategies and promoting prefabrication in residential development and green construction.

Detailed discussion on quick turnover, prudent investment, collaboration and aspiration to become an outstanding green enterprise had been recorded in the previous reports. Here, we will elaborate more on the remaining three areas.

Small dwellings and furnished units

Among all the leading enterprises in the industry, China Vanke perhaps has the smallest average size of residential units, and it may be the first property developer to hand over homes with basic full furnishing. China Vanke’s commitment to build small and fully furnished residential units originates from its vision and not commercial considerations.

China is a country where land is scarce compared to its population. As the nation is undergoing urbanisation at an unprecedented pace in world history, this will certainly lead to upsurges in the number of families and population density in cities faced with the influx of migrants from other parts of China. However, urban construction and land development cannot keep pace with urbanisation. With limited land resources, only through the economical use of land can the living needs of families be satisfied to the greatest extent. We were aware of this as early as at the end of 1990s, and since then have been adhering to our belief that small dwellings will be an inevitable trend. Starting from 2001, China Vanke has commenced research on building small

residential units. In recent years, close to 90% of our products sold have been residential units smaller than 144 sq m.

During the urbanisation process, young people make up the mainstream floating population. Among the new city migrants, the proportion of singles or young families with no children is high. This implies there is enormous market potential for ultra small homes. The market gap in ultra small housing has led to the emergence of “share housing” in mega cities in recent years. We believe this situation reflects that there is no better choice. To cope with this situation, China Vanke has completed the research and development of ultra small residential units with an area below 20 sq m, and construction of these dwellings has commenced.

As the customer base gets younger, urban families have greater demand for a rich and eventful life. To the young families, it is a cumbersome task to take care of their home refurbishing, which is time consuming and requires much energy during the process. Compared with an individual client handling his or her own refurbishing works, a company has significant advantages in pricing negotiation during procurement and quality control. Besides, waste generated from centralised refurbishing is far less than individual home refurbishing, which helps save energy and protect the environment. Centralised refurbishing also avoids causing disturbance to neighbours who might have their refurbishing works take place at different times. At present, apartments under construction of the Company are basically refurbished units. A larger proportion of homes to be handed over by the Company will be refurbished units.

On the other hand, as a developer specialising in residential properties, we hope what we produce serve as dwellings and not investment products. Large residential units are normally considered highly scarce, while the refurbishing of these units will only depreciate. As such, investment-driven home buyers prefer large units and roughcast housing. However, we want to build homes with people living inside; we do not want to see the units we sell left unoccupied for a long period of time. As a company, we are unable to identify and select customers. But this inability can be resolved by our product mix focusing on small and refurbished units, which can enhance the percentage of end users in our clients.

Fame or profit was never the main reason for China Vanke to decide to build small and refurbished units. However, what it might not have thought of at the beginning was that this decision could bring actual revenue to the Company and its shareholders. At the time of market adjustment, especially when the market adjusted in response to purchase restriction policy, end-users’ demand for small and refurbished housing appeared to be more stable. To shareholders, what is important is the rate of return and not simply the profit margin. Although the profit margin of refurbished units is lower than that of roughcast housing, the rate of return of the former is higher than the latter, which is reflected in the continued rise in the Company’s return on net assets in recent years.

Commercial value of housing industrialisation

Compared to small and refurbished units, China Vanke’s commitment to promoting housing industrialisation seems to be more idealistic. However, as a matter of fact, there is a clear logic in housing industrialisation in respect of commercial value.

There are a number of ways to measure shareholders’ value of a company. Yet, two indicators are exceptionally important. One is the maximum size a company can grow, which determines the long-term growth of a company; the other is the return on assets of a company in continuous operation, which defines the long-term income level of the company.

Quality is the lifeline of a company. It is not only the bottom line for its long-term profitability, but also the foundation for which the company can achieve sustainable development. To a company aspiring to become a lasting company and continuously improve its shareholders’ value, it should ask itself this question: how can it ensure product quality, while it keeps pushing the maximum size limits?

Continued growth in scale will increase complexity in management. Under the workshop type of production, management tasks, including quality control, will become more and more difficult as product units increase. Industrialisation is the only way out of this dilemma. It can result in economies of scale as well as significantly reduce the impact of change in scale on complexity in management.

In recent years, labour shortage in the construction industry and substantial increase in labour costs escalate the need for housing industrialisation. Even though the labour cost in the construction industry had more than

doubled from 2009 to 2011, the proportion of new-generation peasant workers born after 1980s who are willing to work in the construction industry is less than half of that of their fathers' generation. At present, new-generation peasant workers account for approximately 60% of the number of migrant workers from rural areas. For quite a long period of time in future, the amount of construction works for residential projects will keep growing. If we do not take the path of industrialisation, labour shortage will cause a huge bottleneck in the housing supply.

China Vanke's industrialisation has entered the stage of mass production. In the next few years, China Vanke's prefabricated construction area will sustain rapid growth.

Better days lie ahead

China Vanke's 2012 theme is "Run Towards the Sun", meaning to keep working diligently in the toughest days to maintain healthy operations and make small improvements each day to build a sound company.

We believe that only if we make good use of the time in winter, could we be ready for the arrival of Spring; only if we take one step at a time, can we reach our goal. We also believe that, only if we are healthy, could we be better prepared for seasons change; and only if we are honest and open, could we head in the right direction for better prospects. These are the words of encouragement for all the staff of China Vanke, as well as thoughts we want to share with our shareholders who have given us their trust and support over the years.

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
Securities Affairs Representative: Liang Jie
E-mail address: 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
E-mail address: IR@vanke.com
8. Media for disclosure of information: "China Securities Journal", "Securities Times", "Shanghai Securities News", "Securities Daily" and an English publication in Hong Kong
Website for publication of annual reports: 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: 440300192181490
State taxation registration code: 440300192181490
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'000)

	2011	2010	2009
Revenue	67,709,396	47,763,550	46,047,893
Share of profits less losses of associates and jointly controlled entities	643,988	291,703	541,861
Profit before income tax	19,490,060	14,542,867	9,293,003
Income tax expense	(7,890,454)	(5,703,257)	(2,862,995)
Profit for the year	11,599,606	8,839,611	6,430,008
Profit attributed to minority	(1,974,731)	(1,556,483)	(1,100,270)
Profit attributed to Equity shareholders of the Company	9,624,875	7,283,127	5,329,738
Basic earnings per share	0.88	0.66	0.48
Diluted earnings per share	0.88	0.66	0.48
Dividend per share	0.13	0.10	0.07

2. Impact of IFRS Adjustments on Net Profit (Unit: RMB'000)

Items	Net profit for 2011
As determined pursuant to PRC accounting standards	9,624,875
As restated in conformity with IFRS	9,624,875

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 2011)

Class of Shares	31 December 2010		Increase / decrease (+, -) Others (Note 1)	31 December 2011	
	Quantity	Percentage of shareholding		Quantity	Percentage of shareholding
I. Restricted Shares					
1. State-owned and State-owned legal person shares					
2. Shares held by domestic legal persons					
3. Shares held by domestic natural persons	19,364,778	0.18%	-938,394	18,426,384	0.17%
4. Shares held by foreign investors					
Total number of restricted shares	19,364,778	0.18%	-938,394	18,426,384	0.17%
II. Non-restricted Shares					
1. RMB-denominated ordinary shares (A shares)	9,660,889,972	87.86%	938,394	9,661,828,366	87.87%
2. Domestic listed foreign shares (B shares)	1,314,955,468	11.96%	0	1,314,955,468	11.96%
Total number of non-restricted shares	10,975,845,440	99.82%	938,394	10,976,783,834	99.83%
III. Total Number of Shares	10,995,210,218	100.00%	0	10,995,210,218	100.00%

Notes: During the reporting period, as there were changes in the Company's senior management, the Shenzhen office of China Securities Depository & Clearing Corporation Limited, according to regulations, imposed or lifted the selling restrictions on the

restricted shares held by the related senior management staff, leading to a decrease of 938,394 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	5,112,901	0	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	3,079,684	0	0	3,079,684	Director, senior management staff	
Ding Fuyuan	1,513,806	0	0	1,513,806	Member of Supervisory Committee	
Sun Jianyi	519,177	0	0	519,177	Director	
Zhou Qingping	15,000	0	0	15,000	Member of Supervisory Committee	
Liu Aiming	1,238,233	1,238,233	0	0	Former senior management staff	
Ding Changfeng	1,115,745	0	0	1,115,745	Senior management staff	
Xie Dong	1,115,745	0	0	1,115,745	Senior management staff	
Zhang Jiwen	1,161,712	0	0	1,161,712	Senior management staff	
Mo Jun	1,161,712	0	0	1,161,712	Senior management staff	
Xu Hongge	1,238,233	1,238,233	0	0	Former senior management staff	
Xiao Li	1,085,137	0	0	1,085,137	Director, senior management staff	
Wang Wenjin	1,007,693	0	0	1,007,693	Senior management staff	
Du Jing	0	0	551,859	551,859	Senior management staff	
Zhou Weijun	0	0	778,549	778,549	Senior management staff	
Yuan Boyin	0	0	207,664	207,664	Former senior management staff	
Total	19,364,778	2,476,466	1,538,072	18,426,384	—	—

(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 bond duration, 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 08 Vanke G1 and 08 Vanke G2 respectively.

In August 2011, the Company decided not to adjust the coupon rate of 08 Vanke G2. The coupon rate of 08 Vanke G2 will remain at 7.00% in the last two years of the bond duration. No investors chose to resell 08 Vanke G2 to the Company.

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 2011)

(1) Information on shareholders

Unit: share

Total number of shareholders ended 2011	948,934 (A shares: 925,732, B shares: 23,202)	Total number of shareholders ended Feb 2012	916,525 (A shares: 894,736 · B shares: 21,789)		
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
China Resources Co., Limited ("CRC")	State-owned legal person	14.73%	1,619,094,766	0	0
E Fund Shenzhen Stock Exchange 100 Exchange-Traded Fund	Others	1.23%	134,693,711	0	0
Liu Yuansheng	Others	1.22%	133,791,208	0	0
China Life Insurance Company Limited–Dividend Distribution–Individual Dividend-005L-FH002 Shen	Others	1.18%	129,454,917	0	0
Bosera Theme Industry Stock Securities Investment Fund	Others	1.13%	123,999,920	0	0
Rongtong Shenzhen Stock Exchange 100 Index Securities Investment Fund	Others	0.85%	93,990,303	0	0
National Social Security Fund – Portfolio 103	Others	0.74%	81,100,000	0	0
HTHK/CMG FSGUFP-CMG FIRST STATE CHINA GROWTH FD	Foreign shareholder	0.71%	78,355,190	0	0
Bosera Value Growth Securities Investment Fund	Others	0.68%	75,000,000	0	0
UBSAG	Others	0.68%	74,936,080	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)		
E Fund Shenzhen Stock Exchange 100 Exchange-Traded Fund	134,693,711		Ordinary RMB-denominated shares (A shares)		
Liu Yuansheng	133,791,208		Ordinary RMB-denominated shares (A shares)		
China Life Insurance Company Limited–Dividend Distribution–Individual Dividend-005L-FH002 Shen	129,454,917		Ordinary RMB-denominated shares (A shares)		
Bosera Theme Industry Stock Securities Investment Fund	123,999,920		Ordinary RMB-denominated shares (A shares)		
Rongtong Shenzhen Stock Exchange 100 Index Securities Investment Fund	93,990,303		Ordinary RMB-denominated shares (A shares)		
National Social Security Fund – Portfolio 103	81,100,000		Ordinary RMB-denominated shares (A shares)		
HTHK/CMG FSGUFP-CMG FIRST STATE CHINA GROWTH FD	78,355,190		Domestic listed foreign shares (B shares)		
Bosera Value Growth Securities Investment Fund	75,000,000		Ordinary RMB-denominated shares (A shares)		
UBSAG	74,936,080		Ordinary RMB-denominated shares (A shares)		
Remarks on the connected relationship or action in concert of the aforementioned shareholders	"Bosera Theme Industry Stock Securities Investment Fund", "National Social Security Fund – Portfolio 103" and "Bosera Value Growth Securities Investment Fund" are funds managed by Bosera Fund Management. 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.				

(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	Increase in the number of 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 directors, members of the Supervisory Committee and senior management staff
2	Yu Liang	3,079,684			
3	Ding Fuyuan	1,513,806			
4	Zhang Jiwen	1,161,712			
5	Mo Jun	1,161,712			
6	Ding Changfeng	1,115,745			
7	Xie Dong	1,115,745			
8	Xiao Li	1,085,137			
9	Wang Wenjin	1,007,693			
10	Zhou Weijun	778,549			

(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.

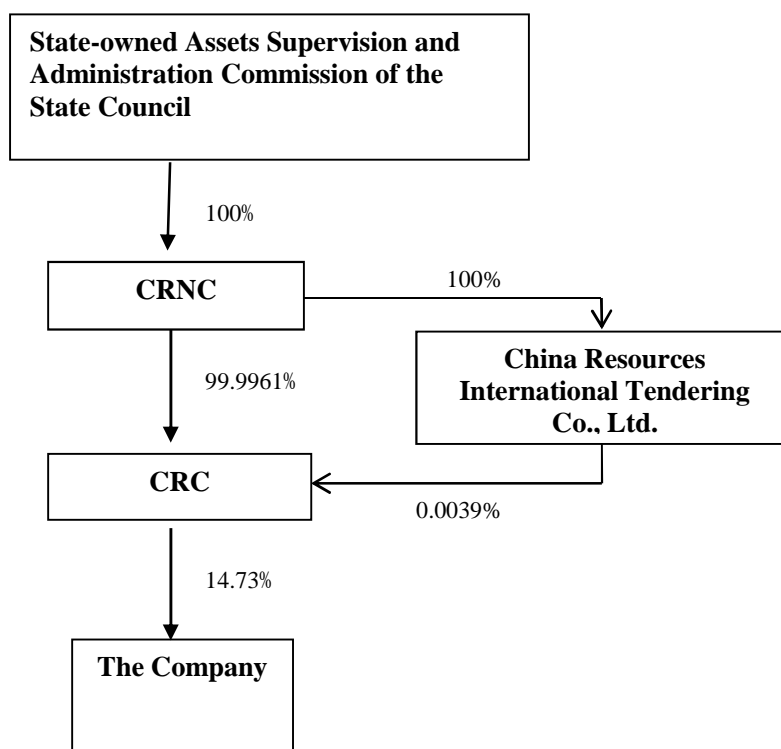
(4) The single largest shareholder

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. in Hong Kong ("CRH") and other assets in the PRC. Its core businesses include investments in finance, insurance, energy, transportation, electricity, communication, storage and logistics, food and beverage producers; investments in and management of retailers (including supermarket chains) and civil construction and engineering; manufacturing of petrochemicals, textile products and construction materials; processing, manufacturing, and sale of electronic and mechanical and electrical products; property management, exterior and interior decorations for civil construction projects; technical exchange, etc. The registered address of CRC is Unit 2801, 2805-06, 28/F China Resources Building, No. 5001 Shennan East Road, Luohu District, Shenzhen. CRC has a registered capital of approximately RMB16,467 million. CRNC holds 16,466,413,526 State-owned shares in CRC, representing 99.9961% of CRC's total share capital. China Resources International Tendering Co., Ltd. owns 650,000 State-owned legal person shares in CRC, representing 0.0039 per cent of CRC's total share capital.

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 2011)

(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 Property and Casualty Insurance Company Limited – Traditional – General Insurance Products	2,698,727	9.00%
5	China Life Insurance Company Ltd.	2,619,042	8.73%
6	Taiping General Insurance Co., Ltd.	1,003,216	3.34%
7	China Life Pension Company Ltd. – Internal Resources	1,000,000	3.33%
8	Haitong-BOC-Futong Bank	897,256	2.99%
9	China Life Property and Casualty Insurance Company Ltd. – Traditional – General Insurance Products	820,000	2.73%
10	China Property & Casualty Reinsurance Company Ltd.	776,162	2.59%

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. 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 Credit Tianli Bond Securities Investment Fund	2,026,446	6.99%
2	Harvest Stable Earning Bond Securities Investment Fund	1,441,048	4.97%
3	China AMC Bond Investment Fund	1,040,607	3.59%
4	China Ping An Trust & Investment Co. Ltd – CMB Furui Life Individual	1,019,410	3.52%
5	ICBC Credit Suisse Asset Management Co., Ltd – ICBC – Assets of Specific Clients	889,101	3.07%

6	National Social Security Fund – Portfolio 801	849,518	2.93%
7	Fullgoal Tianfeng Surging Income Bond Securities Investment Fund	565,000	1.95%
8	China AMC Classic Allocation Hybrid Fund	550,000	1.90%
9	CNPC Pension Scheme – ICBC	522,491	1.80%
10	GF Securities Co., Ltd.	502,000	1.73%

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. “China AMC Bond Investment Fund”, “China AMC Classic Allocation Hybrid Fund” and “National Social Security Fund – Portfolio 801” are managed by China AMC Fund. 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. Chairman Wang Shi was a visiting scholar at Harvard University Asia Center in 2011.

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, and Ping An Annuity Insurance Company of China, Limited, as well as a non-executive director of China Insurance Protection Fund Company Limited (中国保险保障基金有限责任公司). 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 1994, and the general manager of China Resources Construction (Holdings) Ltd., a subsidiary of CRH, in 1996. He is the vice chairman of CRH and the chairman of CRL. He has been a director of the Company since 2002.

Xiao Li, 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, a director of CRC in 2005. At present, Mr Jiang is a director and deputy general manager of CRH and CRNC, a director of China Resources Financial Holding Company Limited, and a non-executive director of China Asset (Holdings) Limited, an executive director of Cosmos Machinery Enterprises Limited and an independent non-executive 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

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, and a member of American Accounting Association. He is also an independent director of several companies listed on NASDAQ, New York Stock Exchange (NYSE) and The Stock Exchange of Hong Kong Limited. 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.

Paul Chan Mo Po, male, born in 1955. He graduated from Business Administration Department of New Asia College, The Chinese University of Hong Kong in 1977 and obtained a master's degree in business administration from The Chinese University of Hong Kong in 1984. He had served as president of Hong Kong Institute of Certified Public Accountants, and the chairman of the Association of Chartered Certified Accountants-Hong Kong Branch. He was awarded Medal of Honour by The Government of the Hong Kong SAR in 2006 and was appointed as Justice of the Peace in 2007. At present, he is a legislative councillor (Functional Constituency – Accountancy) in Hong Kong SAR, chairman of Legal Aid Services Council, the chairman of the professional services advisory committee of Hong Kong Trade Development Council, the co-chairman of Crowe Horwath (HK) CPA Limited, a trustee and associate professor of The Chinese University of Hong Kong, adjunct professor of City University of Hong Kong, and a honorary professor of Hong Kong Shue Yan University. He is an independent non-executive director of HKSE-listed The Wharf (Holdings) Limited, Hong Kong Economic Times Holdings Limited, and China Communications Services Corporation Limited. He has become an independent director and convener of the audit committee of the Company since 2011.

Hua Sheng, male, born in 1953 in Yangzhou, Jiangsu Province. He graduated from the Department of Political Economy of Nanjing Institute of Technology (currently Southeast University), with a bachelor's degree in 1982. In 1985, he obtained a master's degree from the Finance Department of Graduate School of The Chinese Academy of Social Sciences. He holds a PhD in economics of Wuhan University, and has studied, and engaged in research and teaching at the University of Oxford and the University of Cambridge. At present, he is the president of Yanjing Overseas Chinese University, and a professor and PhD Supervisor of Beijing Normal University. He is also an executive deputy chairman of China Federation of Overseas Chinese Entrepreneurs, and deputy chairman of Beijing Returned Overseas Chinese Federation. In 1986, he was among the first group of nationally accredited experts with outstanding contributions. He is the author and proponent of dual-track price system, State-owned assets management system and share segregation reform. He was a winner of China Economic Theory Innovation Award and Sun Yefang Economic Prize. He has been an independent director of China Vanke since 2011.

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 CRNC in 1988 and 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 CEO of China Resources Financial Holding Co., Ltd., the chairman and CEO of China Resources Investment and Asset Management Company Limited, chairman of China Resources City Transport and Infrastructure Investment Limited (华润城市交通设施投资有限公司), director of Cosmos Machinery Enterprises Limited and Harvest Capital Limited. 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 a member of the Supervisory Committee of the Company and the general manager of the Company's Risk Management Department since 2010.

Brief introduction to senior management

Yu Liang: For biography of Yu Liang, please refer to the “Brief introduction to directors”.

Ding Changfeng, male, born in 1970. He graduated from Peking University with a bachelor’s degree in international politics in 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 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 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 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 2003. He joined the Company again as deputy general manager in 2004. He is currently an executive vice president of China Vanke.

Xiao Li: for biography of Xiao Li, 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.

Zhou Weijun, male, born in 1956, graduated from Harbin Civil Engineering and Architecture Institute in 1988 with a bachelor’s degree in industrial and civil engineering, He obtained his master’s degree in business

management from Cheung Kong Graduate School of Business in 1999. Between 1980 and 1993, he worked for Infrastructure Construction Office of Anshan Institute of Iron and Steel Technology, Liaoning Province. He joined China Vanke in 1993, and served as general manager of Shenyang Vanke in the same year, and general manager of Beijing Vanke in 2004. He was vice president, and general manager of Beijing Vanke in 2007. Since 2009, he no longer served as general manager of Beijing Vanke. Since March 2011, Mr Zhou has been an executive vice president of China Vanke.

Mao Daqing, male, born in 1969. He graduated from Southeast University with a bachelor's degree in architecture in 1991. He graduated from Tongji University in 2002 with a PhD in administration and from Renmin University of China in 2006 with a doctoral degree in law. He worked for Beijing Uni-construction Group Co. Ltd., Hong Kong T. L. Loong Group, Thailand Xiechengchang Group, and Nikken Sekkei (Singapore) Limited during 1991 and 1996. He joined Capitaland, Singapore in 1996 and had served as senior project manager, chief representative, deputy general manager in Beijing district, and general manager of Bohai-Rim district. He joined China Vanke in 2009 as vice president, and general manager of Beijing Vanke. Since March 2011, Mr Mao has been an executive vice president of China Vanke.

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 2001. He was appointed as the manager of the Customer Relations Department in 2003, and became the chief researcher and deputy director of the Office of the Board in 2004. Since 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 h 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 2011, the Company sustained continued growth in its operating results. This was reflected in the adjustment to 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 14 directors, members of Supervisory Committee and senior management who were employees of the Company was RMB64.13 million. Among the directors and members of Supervisory Committee who were not employed by the Company, four directors, namely Mr Qiao Shibo, Mr Wang Yin, Mr Jiang Wei and Mr Sun Jianyi, each received a remuneration amount of RMB150,000. Independent Directors Mr Qi Daqing and Mr Zhang Liping each received independent director's remuneration of RMB250,000; Independent Director Mr Paul Chan Mo Po received independent director's remuneration of RMB190,000; Independent Director Mr Hua Sheng received no remuneration from the Company. Mr Wu Ding, a member of the Supervisory Committee, received a remuneration of RMB150,000. 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 2011	Number of shares held at the end of 2011	Reasons for changes	Number of share options granted (share)	Number of share options exercised (share)	Total remunerations (after tax) received from the Company (RMB'000)	Payment of individual income tax (RMB'000)	Any remunerations received from shareholders or other connected entities
Wang Shi	Chairman	M	61	2011.3~	6,817,201	6,817,201		6,600,000	0	8,570	6,470	Yes
Yu Liang	Director, President	M	47	2011.3~	4,106,245	4,106,245		5,500,000	-	7,470	5,580	No

Ding Fuyuan	Chairman of Supervisory Committee	M	62	2010.3~	2,018,408	2,018,408	-	-	4,970	3,540	No
Qiao Shibo	Deputy Chairman	M	58	2011.3~	0	0	-	-	150	30	Yes
Sun Jianyi	Director	M	59	2011.3~	692,236	692,236	-	-	150	30	No
Wang Yin	Director	M	56	2011.3~	0	0	-	-	150	30	Yes
Jiang Wei	Director	M	49	2011.3~	0	0	-	-	150	30	Yes
Qi Daqing	Independent Director	M	48	2011.3~	0	0	-	-	250	50	No
Zhang Liping	Independent Director	M	54	2011.3~	0	0	-	-	250	50	No
Paul Chan Mo Po	Independent Director	M	57	2011.3~	0	0	-	-	190	40	No
Hua Sheng	Independent Director	M	59	2011.3~	0	0	-	-	0	0	No
Wu Ding	Member of Supervisory Committee	M	47	2010.3	0	0	-	-	150	30	Yes
Zhou Qingping	Member of Supervisory Committee	M	43	2010.3~	20,000	20,000	-	-	1,770	1,020	No
Ding Changfeng	Executive Vice President	M	42	2001.2~	1,487,660	1,487,660	2,200,000	0	4,730	3,360	No
Xie Dong	Executive Vice President	M	47	2004.3~	1,487,660	1,487,660	2,200,000	0	3,770	2,580	No
Zhang Jiwen	Executive Vice President	M	45	2004.8~	1,548,950	1,548,950	2,200,000	0	4,730	3,360	No
Mo Jun	Executive Vice President	M	45	2004.10~	1,548,950	1,548,950	2,200,000	0	4,440	3,130	No
Shirley L Xiao	Director, Executive Vice President	F	48	2007.10~	1,446,849	1,446,849	2,200,000	0	3,620	2,470	No
Wang Wenjin	Executive Vice President	M	46	2007.10~	1,343,591	1,343,591	2,200,000	0	3,770	2,580	No
Du Jing	Executive Vice President	M	41	2011.1~	735,812	735,812	2,100,000	0	4,690	3,340	No
Zhou Weijun	Executive Vice President	M	56	2011.3~	1,038,065	1,038,065	2,000,000	0	4,250	2,970	No
Mao Daqing	Executive Vice President	M	43	2011.3~	0	0	2,000,000	0	4,510	3,240	No

Tan Huajie	Secretary to the Board	M	39	2009.3~	0	0		1,600,000	0	2,840	1,870	No
Total	-	-	-	-	24,291,627	24,291,627	-	33,000,000		65,570	4580	-

Note: As at 31 December 2011, the exercise price of the A-share stock options was RMB8.79, and the closing price of A shares was RMB7.74.

(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, Mr Wang Shi, Mr Yu Liang, Mr Qiao Shibo, Mr Sun Jianyi, Mr Wang Yin, Ms Xiao Li and Mr Jiang Wei were elected as the directors of the sixteenth session of the Board and Mr Qi Daqing, Mr Zhang Liping, Mr Paul Chan Mo Po and Mr Hua Sheng were elected as the independent directors of the sixteenth session of the Board at the Company's 2010 Annual General Meeting.

During the year under review, the Board appointed Mr Du Jing, Mr Yuan Boyin, Mr Zhou Weijun and Mr Mao Daqing as executive vice presidents of the Company. Mr Xu Hongge, Mr Liu Aiming and Mr Yuan Boyin resigned as executive vice presidents of the Company.

2. Number and Composition of Employees

As at 31 December 2011, there were 27,951 employees on the Company's payroll, representing an increase of 22.3 per cent from that of the previous year. The average age of the employees was 28.5.

Among the entire workforce, there were 5,648 employees engaged in the property development division, representing an increase of 26.5 per cent from the previous year. The average age of the staff working for this division was 31 and the average years of service were 3.7; in terms of education level, 0.3 per cent held doctoral degree, 15.3 per cent with master's degree, 69.3 per cent with university degree, 13.4 per cent with tertiary education and 1.7 per cent with education below tertiary level. Employees with university degree or above accounted for 84.9 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: 791 marketing and sales staff, accounting for 14.0 per cent and up by 23.2 per cent from the previous year; 3,863 professional technicians, accounting for 68.4 per cent and up by 53.0 per cent from the previous year; among the professional technicians, 1,887 were construction staff, accounting for 33.4 per cent, 661 were designers, accounting for 11.7 per cent and 302 were cost management staff, accounting for 5.3 per cent; there were 222 project development staff, accounting for 3.9 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 994, accounting for 17.6 per cent and down by 23.4 per cent from the previous year.

There were 22,303 employees engaged in property management, up by 21.3 per cent from the previous year. The average age was 27.8 and the average years of service was 2.2. In terms of education level, 0.2 per cent held master's degree, 8.9 per cent with university degree, 18.3 per cent with tertiary education and 72.6 per cent with education below tertiary level. Employees with tertiary education or above accounted for 27.4 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

As one of the first batch of companies listed in the PRC, the Company has always abided by its corporate values: to pursue simplicity, to be transparent, to be regulated and to be responsible. It had strictly complied with the requirements of the laws, regulations and regulatory documents governing listed companies and continued to fine-tune its corporate governance structure and regulate its operation. The Company had not faced with any problems with horizontal competition and connected transactions caused by partial restructuring.

As a key pilot company to implement the Basic Internal Control Norms for Enterprises and its implementation guidelines, the Company had proactively enhanced its internal control in 2011. The Company formulated a proposal on the implementation of the Basic Internal Control Norms for Enterprises and set up a committee for the development of internal control in order to incorporate the implementation of the Basic Internal Control Norms for Enterprises into the Company's internal control system. The Company adopted a management approach of "effective internal control" and attached great importance to taking effective actions to eliminate or

minimise actual risks, in order to improve overall internal control. During the reporting period, the Company organised meetings on the implementation of the Basic Internal Control Norms for Enterprises and organised several staff training programmes on internal control to increase awareness and understanding of internal control within the Company. All the departments at the headquarters and frontline subsidiaries commenced the mapping of their existing internal control standards against the Basic Internal Control Norms for Enterprises. During the processing of comparing the existing system with each of the requirements specified in the relevant documents of the Basic Internal Control Norms for Enterprises including the implementation guidelines, any aspects of the existing system found to be deviated from the Basic Internal Control Norms for Enterprises had been rectified. Through the implementation of the Basic Internal Control Norms for Enterprises, the Company's internal control and assessment ability have been further enhanced.

In 2009, the Company established the "Inside Information and Insider Management System", strengthening the management and prevention of inside information. During the year under review, no insider who had access to inside information had violated the laws to engage in insider trading.

In 2011, the Company received The Best Board of Directors Award at the Seventh Session of the Gold Roundtable Awards organised by the Directors & Boards publication. The Company was awarded 2011 Best Board of Directors of Main Board Listed Companies in China organised by Moneyweek, received Golden Bull Award for Built to Last Companies and Investors' Most Trusted Company Award organized by China Securities Journal.

Corporate governance is a long-term commitment. In the future, the Company will continue to adhere to the principle of "professionalism + standardization + 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 2011, all independent directors continued to give independent opinions and constructive advice to the Company on its 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.

In 2011, 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)
Qi Daqing	5	5	0	0	17	8	8	1
Zhang Liping	5	4	1	0	13	4	4	1
Paul Chan Mo Po	4	3	1	0	11	3	3	1
Hua Sheng	4	3	1	0	8	0	0	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 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, align business decisions with shareholders' interests and continue to achieve above market average operating results, the Company made adjustment to the overall remuneration scheme, by reducing the percentage of sales bonus and annual profit bonus and adopting Economic Profit (EP) as a performance indicator for EP bonus, in order to build up a balanced remuneration scheme structure comprised of fixed salaries, sales bonus, annual profit bonus and EP bonus.

All staff receive fixed salaries. The amount of a fixed salary is determined according to the importance of the position to the Company and the basic living needs of the staff. The higher the position, the smaller percentage will the fixed salary that goes with that position take up in the total remuneration received by the person who holds that position.

All staff is entitled to sales bonus, with emphasis on general staff. Based on the actual sales performance, sales bonus will be appropriated quarterly and will be distributed semiannually.

All staff is entitled to annual profit bonus. Based on the profit for the year, the annual profit bonus will be appropriated and distributed annually.

Beneficiaries of the EP bonus include the Company's senior management staff, middle management staff, as well as staff nominated by the president for the important roles they play in the Company or for their outstanding contribution. The economic profit, achieved by the Company for a given year and calculated by an independent third party, is used as a performance target indicator and base for appropriation and deduction. A fixed percentage of the economic profit will be appropriated or deducted, with a two-way (positive and negative) adjustment mechanism. In other words, if the Company's EP for the year is positive, an amount corresponding to the fixed percentage of the EP will be added to the designated bonus account; on the other hand, if the Company's EP for the year is negative, an amount corresponding to the fixed percentage of the EP will be deducted from the bonus account. Each year, after the Board's approval of the annual report, the Company, based on the EP calculation report, will make adjustment to the bonus account by either transferring the EP bonus for the year to the bonus account or transferring a corresponding amount from the bonus account to the Company's account. An amount equivalent to 40% of the outstanding amount in the bonus account at the time will be withdrawn for distribution .

The EP bonus for distribution is divided into two parts; one part will not be directed to the individuals but will be treated as collective bonus, distribution or payment of which will be deferred. This part of bonus will be subject to centralised management according to the provisions of this plan. There will be additional conditions to be met to receive the deferred bonus. Other than the collective bonus, there is the individual bonus, distribution or payment of which will be made at the time. The percentage of collective bonus to the total amount of bonuses for distribution each year is proposed by the president and approved by the chairman of the board of directors,

and passed by the remuneration and nomination committee. The collective bonus can be held in escrow, through which investment gain can be made.

During the deferred period, should there be any actions that are violations of duties or act that results in significant loss of the Company, the beneficiaries of the collective bonuses will be deprived of part or all of their deferred bonuses. The collective bonuses of directors, members of the Supervisory Committee and senior management staff will be deferred to the day on which they will no longer be the directors, members of the Supervisory Committee and senior management staff. After that, the bonuses can be obtained over three years according to the provisions. Other beneficiaries are ineligible for bonus distribution during the first three years after becoming the beneficiaries of the collective bonuses. Starting from the fourth year, they can, according to the provisions, obtain a specified amount of collective bonuses each year. Beneficiaries who can receive their share of collective bonuses according to the provisions can also apply for voluntary deferral of bonus. The right to this part of collective bonus cannot, under any circumstances, be revoked.

In accordance with the EP bonus plan, the EP bonus appropriated in 2010 amounted to RMB105,020,000, while the actual EP bonuses paid out to beneficiaries amounted to RMB90,450,000.

VII. Summary of Shareholders' Meetings

1. The 2010 (23rd) Annual General Meeting

The notice of 2010 Annual General Meeting ("AGM") was published in China Securities Journal, Securities Times, Shanghai Securities News and irasia.com, Hong Kong, on 8 March 2011. The last day for verifying the qualification of shareholders was 22 March 2011.

The AGM was held at 9:30 am on 31 March 2011 at Vanke Centre, No 33 Huanmei Road, Dameisha, Yantian District, Shenzhen. A total of 165 shareholders (proxies) attended the meeting, holding 3,010,902,494 shares, representing 27.38 per cent of the Company's total number of shares with voting rights. There were 122 shareholders (proxies) of A shares, holding 2,909,794,627 shares, representing 30.06 per cent of the Company's total number of A shares with voting rights. There were 43 shareholders (proxies) of B shares, holding 101,107,867 shares, representing 7.69 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 2010; (2) Report of the Supervisory Committee for 2010, (3) the Annual Report and audited financial report for the year 2010; (4) the resolution regarding the proposal on profit appropriation and dividend distribution for the year 2010; (5) the resolution regarding the reappointment of certified public accountants for the year 2011; (6) the resolution regarding the grant of authority to the Company to carry out corporate citizenship activities within specified budget. Wang Shi, Qiao Shibo, Yu Liang, Sun Jianyi, Wang Yin, Xiao Li, and Jiang Wei were elected as the directors of the sixteenth session of the Board, and Qi Daqing, Zhang Liping, Paul Chan Mo Po and Hua Sheng were elected as the independent directors of the sixteenth session of the Board by cumulative voting.

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 1 April 2011.

2. The First Extraordinary General Meeting of 2011

The notice of the First Extraordinary General Meeting of 2011 ("EGM") was published in China Securities Journal, Securities Times, Shanghai Securities News and irasia.com, Hong Kong, on 23 March 2011. The last day for verifying the qualification of shareholders was 28 March 2011.

The on-site meeting of the EGM was held at 14:00 on 8 April 2011 at Vanke Centre, No 33 Huanmei Road, Dameisha, Yantian District, Shenzhen. A total of 780 shareholders (proxies) attended the EGM and/or participated in online voting, holding 4,224,460,742 shares, representing 38.42 per cent of the Company's total number of shares with voting rights. There were 541 shareholders (proxies) of A shares, holding 3,717,962,113 shares, representing 38.41 per cent of the Company's total number of A shares with voting rights. There were 242 shareholders (proxies) of B shares, holding 506,498,629 shares, representing 38.52 per cent of the Company's total number of B shares with voting rights.

The EGM considered and approved:

(1) "A-Share Stock Option Incentive Scheme (Revised Draft) of China Vanke Co., Ltd." including each of the resolutions set out below as a separate resolution by way of poll:

- 1 Basis for determination and scope of the beneficiaries of the Stock Option Incentive Scheme
 - 2 Source and number of the underlying shares under the Scheme
 - 3 Allotment of stock options granted to the beneficiaries
 - 4 Validity period, grant date, vesting period, exercise arrangement, lock-up period of the underlying stocks of the Stock Option Incentive Scheme
 - 5 Exercise price and methods for determining the exercise price of the stock options
 - 6 Conditions for granting and exercising stock options
 - 7 Method and procedures for adjustment of the Stock Option Incentive Scheme
 - 8 Accounting treatments of the stock options
 - 9 Procedure for grant of stock options by the Company and exercise of stock options by the beneficiaries
 - 10 Rights and obligations of the Company and beneficiaries
 - 11 Ways for handling stock options under special situations including changes in or termination of the Stock Option Incentive Scheme
- (2) the resolution regarding granting the Board the authority to handle matters relating to the Company's Stock Option Incentive Scheme;
- (3) the resolution regarding the establishment of the implementation and appraisal methods of the Stock Option Incentive Scheme of China Vanke Co., Ltd.; and
- (4) the resolution regarding cooperation with CRC.

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 9 April 2011.

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 China's commodity housing reached 1,099 million sq m and RMB5,910 billion respectively, up by 4.9% and 12.1% respectively, indicating a slowdown in growth when compared with that of 2010. In the first three quarters, sales were sluggish in the first and second tier cities, while the third and fourth tier cities saw relatively fast sales growth. The sales area of China's commodity housing in general continued to increase in the first three quarters, up by 14.9%, 11.6% and 12.9% year-on-year respectively. In the fourth quarter, sales in the third and fourth tier cities began to slow down, while the sales area in China's commodity housing reduced by 7.1% when compared with that of the same period last year.

Sales area in the 14 cities (Shenzhen, Guangzhou, Dongguan, Foshan, Shanghai, Suzhou, Wuxi, Hangzhou, Nanjing, Beijing, Tianjin, Shenyang, Chengdu, and Wuhan) to which China Vanke attached great importance, continued to drop year-on-year by 19.2% in 2011, after shedding 29.6% in 2010 from 2009.

The approved pre-sales area in the above-mentioned 14 cities in the second, third and fourth quarters rose by 77.5%, 100.3% and 86.4% respectively; however, the sales area in these cities dropped by 15.8%, 10.2% and 15.9% respectively. Increase in new housing supply and decline in market sales led to continued rise in inventory level and continued increase in the time needed to digest inventories. The sales area of commodity housing to approved pre-sales area of new housing ratio in the 14 cities in 2011 dropped from 0.94 in 2010 to 0.70, which was close to 0.63 of 2008; in particular, the sales area of commodity housing to approved pre-sales area of new housing ratio between September and December was 0.54, which was almost the same level when the market reached its bottom in 2008.

Led by a group of developers with influential power, price reduction to boost sales started to become the norm after the third quarter. Rise in prices in various areas was suppressed. The number of cities with relaxed and declined housing price continued to increase. According to the recent figures published by the statistics bureau, the prices of newly constructed commodity housing in 70 medium and large cities in January 2012 either declined or remained the same when compared with those in the previous month; none of them rose from the previous month.

In the first three quarters, the central bank thrice raised the benchmark RMB-denominated borrowing and lending interest rates, resulting in tighter liquidity in the market. According to figures released by the central bank, the aggregate amount of various types of RMB-denominated loans of all the financial institutions in 2011 increased by RMB7,470 billion, representing a decrease of approximately 6% compared to the growth rate of

last year; Of the total amount, the aggregate mortgage loans increased by RMB1,260 billion, representing a decrease of approximately 38% when compared with the growth rate of last year. China Banking Regulatory Commission also raised concerns over real estate trust risks and further tightened the relevant regulations. Affected by these factors, the sources of funding in the property industry significantly reduced.

In 2011, domestic loans accounted for only 15.1% of sources of funds for property development, which was a historical low. Since sales slowed down, “other loans”, which mainly comprised of sales proceeds, saw its percentage contribution to total sources of funds for property development dropped by 2.2 percentage points from that of 2010, and 5.5 percentage points from 2009. Domestic loans and sales proceeds have been the most important sources of funds in the property industry. Decline in the aforesaid two indicators thus increased pressure on capital and caused enterprises to significantly reduce land acquisition and development investments.

With insufficient capital, commercial banks in general raised the down payment ratio for first-time home buyers in the second half of 2011, and gradually increased the mortgage rates for first-time home buyers to 1.05-1.1 times of benchmark lending rates. A number of banks in certain cities had even ceased commercial mortgage lending for home purchase. Especially after September, first-time home buyers found it increasingly difficult to get a mortgage. Credit tightening and increase in lending costs had reduced first-time home owners’ ability to pay. This problem recently received much attention from the relevant government departments. To implement differential housing credit policy, the central bank reiterated in early 2012 that banks should “meet the mortgage demands of families’ first home purchase.

With the control on rising prices taking effect, and with an aim to ease the tight capital flow, the central bank on 30 November announced that it would cut deposit reserve ratio. On 24 February 2012, the central bank further lowered the deposit reserve ratio by 0.5 percentage point. It is expected that the liquidity in the market is likely to improve in the near future when compared with 2011. However, as the direction of government austerity measures remains unchanged, any improvement in the capital flow of the property industry is yet to be seen.

Since the speed in receiving sales proceeds slowed down and source of funding in the industry narrowed, property developers’ investment ability and desire in general weakened during the year under review. The growth rate in floor area commencing construction of housing in China dropped from 40.7% in 2010 to 16.2%, with growth rate declining each month since August. The floor area commencing construction in December alone shrank by 24.8% from that of the same period last year. By comparison, the adjustment in property investment was relatively smaller, with growth rate sliding from 33.2% in 2010 to 27.9%. However, the downward trend escalated at the end of the year. Since there is time lag between the publication of investment statistics and changes in them, it is expected that the downward trend in investment will be more significant for some time in future, and we see risks of insufficient new housing supply in the next two years.

Affected by commodity housing market adjustments, the land market in the third and fourth quarters began to cool down significantly, as reflected in the continued retreat in the price premium in the land market, rise in the incidents of failed auction, and the fact that most land lots changed hands at the reserve price. In the 16 major cities where statistics are accessible by the public (including Shenzhen, Guangzhou, Dongguan, Foshan, Shanghai, Hangzhou, Nanjing, Suzhou, Ningbo, Beijing, Tianjin, Shenyang, Dalian, Chengdu, Wuhan, and Chongqing), the percentage of failed auctions increased to 37% in the fourth quarter, with only 11% of transactions completed with price premium, which was close to 2008’s rock bottom level.

During the year under review, China’s plan for massive construction of affordable housing was implemented. Construction of over 10 million units of affordable housing and modified housing in shanty towns commenced during the year. According to the plan, the Chinese government will continue to push ahead with the construction of affordable housing in 2012, with the commencement of construction of 7 million units of affordable housing and modified housing in shanty towns. In the opinion of China Vanke, the affordable housing system has fully leveraged its potential, marking the success of the government’s regulation on the market as well as being a prerequisite for a healthy and steady development of the industry in the long run. The Company has been dedicating its professionalism to the affordable housing initiatives by actively participating in the development of affordable housing and exploring a sustainable operating model for affordable housing.

Operating results and analysis

Faced with tremendous changes in the market environment during the year under review, the Company persevered with its product positioning targeted at end users and continued to adhere to the strategy of quick turnover. As a result of its proactive response to market changes, the Company saw relatively satisfactory sales.

In 2011, the Company realized sales area and sales revenue of 10,753,000 sq m and RMB121.54 billion respectively, representing year-on-year increases of 19.8% and 12.4% respectively. Among the 54 cities that the Company had market presence, China Vanke was among the top three developers in 25 cities in terms of sales; of these 25 cities, the Company ranked first in 11 cities, including Shenzhen, Dongguan, Foshan, Tianjin, Shenyang, Changchun, Anshan, Qingdao, Zhenjiang, Wuxi and Wuhan; and ranked second in Shanghai, Chengdu, Suzhou, Yantai and Tangshan. The number of frontline subsidiaries of China Vanke with annual sales surpassing RMB5 billion jumped from 8 in 2010 to 13 (Beijing, Shenzhen, Shanghai, Guangzhou, Shenyang, Wuhan, Tianjin, Sunan, Dongguan, Foshan, Changchun, Chengdu and Qingdao), thereby further consolidating and enhancing the Company's market position.

The Company's product mix continued to be dominated by small to medium sized ordinary commodity housing units. Residential units of less than 144 sq m accounted for 88% of all the units sold.

During the year under review, the revenue and net profit of the Company amounted to RMB67.71 billion and RMB9.62 billion respectively, representing year-on-year increases of 41.8% and 32.2% respectively. The Company realized booked area and booked revenue of 5,624,000 sq m and RMB66.64 billion respectively, representing year-on-year increases of 24.4% and 41.4% respectively.

As at the end of 2011, the Company had an area of 10,850,000 sq m sold but not yet booked stated in the consolidated statements, with a contract amount of RMB122.2 billion, representing increases of 59.6% and 49.0% when compared with those at the end of 2010.

The booked gross profit margin and booked net profit margin of the Company's property business were 30.44% and 15.01% respectively, representing decreases of 2.16 percentage point and 0.51 percentage point from those of 2010 respectively. Owing to the time lag between revenue recognition and sales completion in the property industry, the booked area during the year under review was mostly comprised of units sold but not yet booked at the end of 2010 and units sold in the first half of 2011. At the time when these units were sold, there was no significant adjustment in the market price. As such, the profit of these units remained at a relatively high level. The Company's cost management and expenses control initiatives in recent years have also helped enhance profitability to certain extent. Affected by the aforementioned factors, the booked profit margin of the Company remained at a relatively high level in 2011. However, with market downturn in the second half of 2011, incidents of price cut to promote sales increased, which inevitably affected the gross profit margin of residential sales. With continued market adjustments, it got more difficult to complete sales. In 2011, sales and distribution expenses and administration expenses as a percentage of sales amount was 2.1%, which was higher than that in 2010. It is expected that for a certain period of time in future, the booked gross profit margin and net profit will be lowered than that of 2011.

In 2011, the Company had a floor area of 14,480,000 sq m commencing construction, representing an increase of 9.0% from 13,290,000 sq m planned at the beginning of the year; the Company achieved completed area of 6,590,000 sq m (completed area included in the Company's consolidated statement was 5,970,000 sq m), which was 9.6% less than 7,290,000 sq m planned at the beginning of the year.

In view of no significant adjustment in the reserve price of land in major cities during the year under review and an uncertain market outlook, the Company continued to remain prudent in land acquisition. During the year under review, the Company acquired 52 development projects, with a site area attributable to China Vanke's equity holding of approximately 4,160,000 sq m (planned GFA attributable to China Vanke's equity holding of approximately 9,220,000 sq m) and average land premium per floor area of approximately RMB2,707 per sq m. Besides, the Company was also involved in 6 city redevelopment projects; according to the current planning requirements, the related site area attributable to China Vanke's equity holding was approximately 690,000 sq m (planned GFA attributable to China Vanke's equity holding was approximately 2,270,000 sq m) and the average composite redevelopment cost and land premium per floor area was approximately RMB2,010 per sq m. During the year under review, the Company entered new markets of Wuhu, Qinhuangdao, Taiyuan and Jinzhong, while intensifying the penetration of its existing markets.

As at the end of the year under review, the aggregate GFA of the Company's projects under planning attributable to China Vanke's equity holding amounted to 35,470,000 sq m, which can basically meet its development needs in the coming 2 to 3 years.

As at the end of the year under review, the Company's inventories included RMB7.24 billion of completed properties (properties ready for sale), accounting for 3.5%; RMB138.33 billion of properties under development (including properties sold but not yet booked), accounting for 66.3%; RMB62.99 billion of properties held for development (corresponding to the Company's projects under planning), accounting for 30.2%.

The Company persevered with prudent operation and maintained a sound financial position. As at the end of the year under review, the Company's net gearing ratio continued to remain at a relatively low level of 23.8% when compared with the industry average. Owing to substantial increase in advance receipts from RMB74.41 billion at the end of 2010 to RMB111.10 billion, the Company's gearing ratio rose from 74.7% of the same period of last year to 77.1%. However, advance receipts did not give rise to any real pressure for debt repayment. Excluding advance receipts, the Company's other liabilities as a percentage of total assets was 39.7%, which was lower than 40.3% at the end of 2010. The debt structure of the Company was healthy. The interest-bearing borrowings as a percentage of total liabilities was merely 22.0%; of the interest-bearing borrowings, long-term borrowings accounted for 53.2%.

Owing to better sales performance than market average and adherence to prudent investment strategy, the Company was able to maintain a solid financial position when the industry was faced with a tightened financing environment. As at the end of the year under review, the cash and cash equivalents held by the Company amounted to RMB34.24 billion, which was much higher than the sum of short-term borrowings and long-term borrowings due within one year of RMB23.57 billion, which was sufficient to ensure sound and stable operations.

Review on the Company's management in 2011

In 2011, the area of projects under the Company's management surpassed 33 million sq m and the number of residential units handed over during the year exceeded 60,000 units. To ensure construction safety and quality of the units handed over, the Company adhered to its work safety philosophy of "zero tolerance", and strictly implemented quality and safety management scheme. During the year under review, the Company strengthened the precise measurement system, improved the evaluation system for overall outlook of products, fine-tuned the management procedures for commencing construction and enhanced management accountability system. Positive results had been achieved from these initiatives. According to a customer survey conducted by an independent third party, the overall satisfaction level of owners of China Vanke's residential units was high, and the overall satisfaction level of owners who had already moved in their homes also increased. Amid a considerable growth of over 50% in the number of units handed over, in 2011, the percentage of major accidents within the Company significantly dropped, while product quality further improved, with over 95% scoring a passing rate.

To cope with the challenges brought by massive scale of construction to construction quality and to fully leverage economies of scale, the Company continued to carry out large-scale strategic main contracting. During the year, the Company entered into strategic collaborative agreements with China Construction Fourth Engineering Division Corp. Ltd and Shanghai Construction (Group) General Co. respectively. Up to the present time, the area of construction carried out through large-scale strategic main contracting accounted for 21% of the Company's total construction area. In addition, the Company and its strategic partners started to explore the possibility of jointly promoting housing industrialization by fully leveraging each other's competitive edge.

During the year under review, the application of prefabrication within the Group further increased. The number of subsidiaries of the Company using prefabrication techniques rose from 8 in 2010 to 10 in 2011. For the full year of 2011, the floor area commencing construction using prefabrication technology reached 2,720,000 sq m, representing an increase of 36% as compared to 2,000,000 sq m planned at the beginning of the year.

The Company continued to actively carry out its green strategy. It stepped up efforts to promote green buildings and strengthened its research capability and application of green building techniques. In 2011, the planned GFA of the Company's projects built with the Three-Star green building standards amounted to 2,737,000 sq m, representing a 265% year-on-year increase, among which the area of Three-Star green residential projects amounted to 2,684,000 sq m, accounting for 50.7% of the total area of residential projects qualified for the Three-Star green building standards in China during the same period. Starting from June 2011, the Company requires that all of its new construction projects meeting planning conditions should be designed and constructed in accordance with standards not lower than those set for One-Star green building. In addition, the Company has started to prepare for the construction of a green construction park in Beijing and collaborated with UK-based

BRE (Building Research Establishment), striving to build the park as the most advanced platform for promoting green ideology in the PRC.

During the year under review, the Company continued to improve and diversify its product lines and stepped up efforts in research on new topics such as elderly apartments as well as sustainable development of communities.

During the year under review, the Company's A-Share Stock Option Incentive Scheme was approved and implemented. Up to now, the Company has established a remuneration structure comprised of fixed salaries, short-term compensation and long-term incentives, which will further improve the check-and-balance mechanism between shareholders and professional management team through linking up their interests and ensure the implementation of shareholder-oriented strategy.

Along with industry development, professional management staff are faced with more opportunities, and their turnover rate therefore increases. In 2011, three executive vice presidents left the Company to start their own business or pursue other endeavours. While this shows that professional managers of China Vanke gain social recognition, it also alerts the Company to pay more attention to competition for talents. During the year under review, the Company continued to step up the grooming of talent successors, further strengthen its corporate culture and competitive edge in institution establishment, as well as explore ways to fine-tune its remuneration and incentive mechanism so as to increase its talent attraction.

During the year under review, the Company's projects under development received 104 provincial and national awards, evidencing the Company's good project management and civilized construction image. Among these projects, Shenzhen Longhua Public Rental Housing Project received accolades from governments at all levels for introducing prefabrication technology into affordable housing construction. Beijing Xihongmen Project and Banbuqiao Public Rental Housing Project were awarded a runner-up prize in the First Session of Affordable Housing Design Competition in China. Phase II of No. 1, Songshan Lake, Dongguan, Phase II of The Paradiso, Guangzhou and Hongshi Jiayuan (红狮家园) project, Beijing (Affordable Housing) were awarded Outstanding Projects of Residential Community of Zhan Tianyou Award organized by China Civil Engineering Society.

During the year under review, the Company was named as "The Most Respectable Enterprise in China" by Economic Observer and Management Case Center of Peking University for the ninth time in a row. On the list of "2011 Most Praised PRC Enterprises" announced by Fortune China (Chinese version), the Company ranked first in the real estate industry category. The Company was also awarded the No. 1 title out of the "Top 10 Among China's Leading 100 Property Developers in 2011, Overall" selected by Enterprise Research Institute of the Development Research Center of the State Council, Institute of Real Estate Studies of Tsinghua University and China Index Academy.

The Company gained wide recognition for its achievements in staff management, employer brand building and corporate culture establishment. The Company was the only property developer among the "Best Employers in China 2011" selected by world-renowned human resources management and consulting company Aon Hewitt. On the "25 Top Companies for Grooming Leaders" list announced by Fortune, the Company ranked fourth in the Asia Pacific region.

During the year under review, China Vanke Property Management Co., Ltd. was selected as the "No. 1 Property Management Company in China, Overall". In a study conducted by China Real Estate Top 10 Research Team on the brand value of property management companies in China in 2011, China Vanke Property Management Co., Ltd. ranked first again among "China Property Management Companies with Excellent Brands"

The Company maintained close contact with its investors. During the year, the number of investor visits and telephone conferences organized by the Company exceeded 620. In addition, via online presentations, results announcement meetings and company visits, the Company proactively strengthened its communication with investors, which earned praise from the industry. During the year under review, the Company received the awards for Outstanding Investor Relations by An A-Share Listed Company in China and the Best Investor Relations by a CEO in China from IR Global Rankings. The Company's secretary to the Board again received the title of Golden Secretary to the Board and was named Institutional Investors' Most Popular Secretary to the Board by New Fortune at the Seventh Session of the Golden Secretary to the Board Awards.

Future development prospects in 2012

In 2012, the Company will continue to be market oriented, customer oriented, shareholder oriented, and strategy oriented. It will adopt higher standards for reviewing its work and actively cope with market challenges.

In view of a planned increase of number of units to be handed over to home owners, the Company will continue to set work safety and product quality assurance as its top priority. The Company will promote an “engineering culture” through the launch of the “RMB100 Billion Plan”. It will arrange to send a large number of project systems management senior staff and core technicians to Japan to study and to acquire advanced project management experience of developed countries. The Company also plans to establish a pilot project, to which the Company will introduce experienced overseas managers, which will set a benchmark for management. The above initiatives are aimed to enhance the Company’s quality management capability.

Against the backdrop of market adjustments, profitability poses a challenge to the Company. As such, the Company will regard cost management as a priority task. In 2011, the Company established the Group-wide standardized cost benchmarking system and cost alignment mechanism, while strengthening its ability to avoid inefficient cost. Supported by the aforesaid systems and practice, the Company’s cost management will focus on two key elements, namely “enhancing basic work quality” and “strengthening cost control”. The Company will push ahead with the implementation of the systems, step up its effort to study and monitor the construction and construction materials markets, and enhance cost information system. By comparing the Company’s metrics to industry best, China Vanke strives to improve cost estimation, control and management, analysis, and execution capability.

In view of the continued yearly growth in the project development business, the Company started in 2009 to implement by phase the Group’s centralised procurement to ensure quality consistency of materials purchased and to fully leverage the Company’s economies of scale. By now, the Company has a relatively well-developed centralised procurement system. In future, the Company will further strengthen its pre-procurement quality inspection and enhance on-site inspection of materials.

The Company will be more prudent in new project development. It would rather forgo an opportunity than making a wrong acquisition. In addition to a prudent management approach, the Company will pay close attention to any possible land market adjustments, and identify the right opportunities for acquiring land resources that could meet its sustainable development needs in future.

In 2012, the floor area commencing construction and completed area of the Company’s existing projects are expected to reach 13,280,000 sq m and 8,900,000 sq m respectively. To ensure it has the “appropriate products for sale”, the Company adheres to its principle of building quality housing for ordinary people. It will follow closely on the changes in market transactions, strengthen its capacity of analysis and research on customers’ actual needs, insist on continued fine-tuning of the composition of newly started projects according to the size and functions of residential units, and build quality and appropriate products.

The prospects for capital flows in the industry are not optimistic for a certain period of time in future. The Company will adhere to “cash is king” strategy to ensure safe and sound operation. Meanwhile, the Company will capitalise on its reputation and brand equity in the capital market to actively broaden financing channels. The Company will continue to explore innovative collaboration mechanisms to obtain more resources to support its business development.

The Company will continue to increase the use of prefabrication technology and green construction techniques. In 2012, the Company plans to commence construction of prefabricated projects with an area of over 3 million sq m., with an aim to obtain China’s Three Star certification granted for those realise a floor area commencing construction of projects using prefabrication technology of over 3 million sq m.

The Company will stick to its development strategy which focuses on the ordinary housing market. At the same time, the Company will, in addition to consolidating its existing business, gradually step up efforts to explore other types of properties that are in line with urban development and complement residential properties. This initiative will be customer oriented and take into account the changes in urban development and housing needs. It will further strengthen the Company’s overall development capability while creating new opportunities for business expansion.

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 2011, the Company's sales area and sales revenue were 10,753,000 sq m and RMB121.54 billion respectively, representing increases of 19.8% and 12.4% respectively when compared with those of 2010.

In 2011, the total sales of commodity housing in the PRC amounted to RMB5,911.9 billion. Based on the aforesaid amount, the Company accounted for 2.06% of the domestic market in terms of sales revenue, which remained stable as compared with last year's.

During the year under review, the booked area, booked revenue and booked cost of the Company's property projects were 5,624,000 sq m, RMB66.64 billion and RMB42.65 billion respectively, representing increases of 24.4%, 41.1%, and 46.6% respectively when compared with those of the previous year. The operating profit margin of the property business for the year was 30.44%, down by 2.16 percentage point from that of the previous year.

Sector	Unit RMB'000					
	Revenue		Cost of sales		Operating profit margin	
	Amount	Change	Amount	Change	Value	Change
Propertysales	66,637,958	41.42%	42,647,332	46.63%	30.44%	downby2.16percent
Propertymanagementandothers	1,071,438	65.25%	602,086	35.63%	43.81%	Upby12.28percent
Total	67,709,396	41.76%	43,249,418	46.47%	30.65%	downby1.93percent

Note: Land appreciation tax had been deducted from the operating profit margin

B. By investment region

	Revenue from core businesses (RMB'000)	Percentage	Net profit (RMB'000)	Percentage	Booked area (sq m)	Percentage
Guangshen Region	23,846,667	35.79%	4,214,962	39.76%	1,775,144.55	31.56%
Shanghai Region	19,444,648	29.18%	3,428,774	32.35%	1,391,878.49	24.75%
Beijing Region	15,995,163	24.00%	2,221,853	20.96%	1,551,015.15	27.58%
Chengdu Region	7,351,480	11.03%	734,976	6.93%	906,220.91	16.11%
Total	66,637,958	100.00%	10,600,566	100.00%	5,624,259.10	100.00%

(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 2011	Net profit in 2011	Total assets at the end of 2011	Major projects developed in 2011
Shenzhen Haixuan Investment Development Company Limited	100%	1,967,599	371,150	908,912	Vanke Hong (万科红), Shenzhen
Guangzhou Panyu Xiangxin Real Estate Co., Ltd	100%	1,797,513	324,563	4,175,945	Stratford, Guangzhou
Nanjing Jinyu Blue Property Company	100%	1,937,442	321,286	3,424,269	Aureate City, Nanjing, The Paradiso, Nanjing
Shanghai Vanke Blue Mountain Town Property Co., Ltd.	100%	1,713,344	396,441	971,416	The Village, Shanghai
Beijing Vanke Company Limited	100%	1,502,989	508,238	15,635,731	Phase I, Blue Mountain, Beijing, Phase I, Hongshi Jiayuan (红狮家园), Beijing, City Garden, Beijing
Ningbo Vanke Real Estate Company	100%	1,460,755	361,893	2,666,637	Golden Town, Ningbo
Shenzhen Vanke Nancheng Real Estate Company Limited	100%	1,444,707	328,099	1,444,208	The Village, Shenzhen
Guangzhou Wanxin Property Company Limited	100%	1,258,226	312,045	2,086,157	Wanjingde, Guangzhou
Shenyang Vanke Hunnan Jinyu Property Development Company Limited	100%	1,103,502	150,537	1,476,647	The Paradiso, Shenyang
Shenzhen Vanke Huayu Garden Real Estate Co., Ltd.	100%	1,005,738	273,489	1,191,268	Golden Hill, Shenzhen (深圳金色半山)

Note: 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 satisfactory performance. In 2011, the Company's sales area and sales revenue amounted to 10,753,000 sq m and RMB121.54 billion respectively, representing increases of 19.8% and 12.4%.

The Company's planned floor area commencing construction and completed area at the beginning of the year were 13,290,000 sq m and 7,290,000 sq m respectively. In 2011, the actual floor area commencing construction amounted to 14,480,000 sq m, representing a slight increase from the area planned at the beginning of the year. Completion of certain projects of the Company was affected by factors including an increased proportion of furnished units, labour shortage, and interruption in construction. The actual completed area achieved by the Company for the full year amounted to 6,590,000 sq m, which decreased by 9.6% compared with the area planned at the beginning of the year.

Development of the Company's major projects in 2011

Unit: Sq m

Project Name	Location	Equity interest	Site area	Planned GFA	Area of construction work commenced in 2011	Area of construction work done in 2011	Accumulated area of construction work done as at the end of 2011
Guangshen region							
Vanke Centre, Shenzhen	Yantian	100%	61,730	80,201	-	-	26,000
Vega Villa (天琴湾) Shenzhen	Yantian	100%	253,990	25,040	1,150	-	5,890
Yantian Central Line Project, Shenzhen	Yantian	100%	137,250	345,270	-	-	-
King Metropolis, Shenzhen	Baoan	100%	68,310	196,182	-	73,840	189,441
Respecte Chateau (金色领域), Shenzhen	Baoan	100%	65,364	161,856	85,366	68,518	68,518
Ravine Village, Shenzhen	Baoan	60%	158,639	47,270	-	-	-
Feilijun (翡丽郡), Shenzhen	Baoan	55%	77,265	254,930	28,762	-	-
The Village, Shenzhen	Longgang	100%	421,916	595,982	118,785	69,849	478,294
Golden Hill, (金色半山), Shenzhen	Longgang	100%	62,474	96,969	-	52,778	52,778
Jiuzhou Project, Shenzhen	Longgang	100%	201,833	967,428	85,794	-	-
Qianlin Shanju, Shenzhen	Longgang	100%	198,597	361,753	45,911	68,512	204,907
Home (万科红), Shenzhen	Longgang	100%	31,337	150,370	58,041	83,135	83,135
Jinse Qinyuan (金色沁园), Shenzhen	Longgang	90%	37,740	69,608	-	68,939	68,939
Shuijing (水径) Project, Buji, Shenzhen	Longgang	60%	164,989	455,134	-	-	-
Park Avenue (公园里), Shenzhen	Longgang	65%	104,819	471,915	-	-	-
Langqi Project, Shenzhen	Longgang	100%	41,487	22,380	-	-	-
Golden Paradise, Shenzhen	Pingshan New District	100%	104,801	315,808	79,561	-	80,267
Yuyi Village Project, Shenzhen	Nanshan	80%	19,500	142,000	-	-	-
Nanyuan New Village Project, Shenzhen	Nanshan	80%	82,600	581,700	-	-	-
Tangyue (棠樾), Dongguan	Tangxia Town	51%	596,786	412,504	35,345	39,119	139,041
Dajia Island, Shenzhen	Huizhou	100%	364,450	93,340	-	-	-
Lunas Del Mar (双月湾), Huizhou	Huidong	67%	704,223	1,139,325	204,700	-	-
Jinyu Huating, Huizhou	Huicheng	100%	151,298	313,678	65,951	83,548	139,242
Subsequent phase of Lunas Del Mar (双月湾), Huizhou,	Huidong	67%	28,000	56,000	-	-	-
The Paradiso, Guangzhou	Baiyun	50%	144,657	433,584	-	35,958	310,177
Jinshazhou B04, Guangzhou	Baiyun	100%	17,207	30,973	-	30,973	30,973

Baiyun New Town, Guangzhou	Baiyun	100%	24,052	94,264	-	-	-
Le Bonheur, Guangzhou	Liwan	100%	38,111	135,689	-	35,635	117,573
Tongfu West, Guangzhou	Haizhu	100%	9,929	85,279	46,078	39,201	39,201
Fuqian No. 1 (府前一号), Guangzhou	Nansha	95%	134,760	269,520	-	-	-
Racho Santa Fe, Guangzhou	Huadu	49%	210,288	124,338	-	-	61,508
Dream Town, Qingyuan	Qingyuan	100%	689,326	1,356,279	21,600	-	-
Vanke Huafu (万科华府), Qingyuan	Qingyuan	100%	79,164	312,820	126,000	-	-
Donghui Town (东荟城), Guangzhou	Luogang	55%	177,588	454,175	136,002	-	-
Landlot B, Science City, Guangzhou	Luogang	33%	109,748	274,370	-	-	-
Aureate City, Guangzhou	Panyu	100%	58,093	72,549	-	66,278	72,549
Stratford, Guangzhou	Panyu	100%	364,651	571,743	174,322	71,426	71,426
Jinyu Songhu (金域松湖), Dongguan	Songshan Lake	51%	136,151	381,000	60,329	-	-
Hongxinuoaya, Dongguan	Songshan Lake	100%	349,951	267,450	10,332	44,889	130,979
Humen Zitai (虎门紫台), Dongguan	Humen Town	100%	60,570	151,426	118,666	-	-
Chang'an Vanke Centre, Dongguan	Chang'an Town	100%	75,653	249,654	44,462	-	-
Vanke Building, Dongguan	Nanchang	100%	4,771	42,937	42,937	-	-
King Metropolis, Dongguan	Nanchang	51%	189,934	493,827	114,632	111,497	155,700
Feilishan (翡丽山), Dongguan	Nanchang	50%	249,534	374,302	48,822	-	-
Jiyu International, Dongguan	Houjie Town	100%	88,788	257,486	208,641	-	-
Changping Dream Town, Dongguan	Changping	100%	635,971	442,460	-	38,841	215,754
Vanke Luhui (万科麓湖) Dongguan	Dalingshan Town	100%	146,674	117,341	34,005	45,309	45,309
The Paradiso, Dongguan	Dalang Town	51%	91,780	183,560	-	49,782	179,662
Spring Dew Mansion, Dongguan	Tangxia Town	51%	128,144	256,129	79,908	-	-
Songshan Lake Centre (松湖中心), Dongguan	Songshan Lake	34%	95,506	73,872	-	-	-
Songshan Lake Centre II, Dongguan	Songshan Lake	25%	30,084	30,084	-	-	-
The Paradiso, Foshan	Nanhai	55%	221,035	574,690	11,731	89,649	89,649
Crystal City, Foshan	Shunde	49%	284,036	710,092	63,500	88,794	88,794
Qinyuan, Foshan	Shunde	100%	80,571	241,712	-	6,296	6,296
Nancun Project, Foshan	Chancheng	57%	114,429	564,667	-	-	-
Binfen Siji (缤纷四季), Foshan	Shunde	100%	158,640	429,527	42,212	56,852	56,852
Tianaowan Project, Foshan	Shunde	50%	30,382	75,954	55,050	-	-
Jinse Xigu Huayuan (金色溪谷花园), Foshan	Nanhai	100%	66,533	79,839	25,383	-	-
Xincheng Wanpan (新城湾畔), Foshan	Shunde	100%	69,877	139,754	-	12,959	139,754
Rancho Santa Fe, Foshan	Shunde	100%	127,598	228,002	-	51,176	227,476
King Metropolis, Foshan	Nanhai	100%	110,001	240,170	-	22,529	238,047
The Dream Town, Foshan	Chancheng	100%	337,544	776,350	17,700	-	219,416
Jinyu Huating, Foshan	Nanhai	55%	75,916	184,607	-	65,803	144,791
Nanyue Project, Foshan	Chancheng	51%	89,000	373,820	-	-	-
Zhubin Garden (珠宾花园), Zhuhai	Xiangzhou	100%	109,917	143,792	-	7,654	25,708
Jinyu Gangwan (金域港湾), Zhuhai	Xiangzhou	50%	78,000	192,203	-	-	-
Jinyue Huating (金悦)	Tanzhou	100%	32,103	127,789	-	-	-

华庭), Zhongshan							
A Glamous City, Zhuhai	Doumen	100%	137,061	274,122	-	-	-
City Garden, Zhuhai	Jinwan	51%	63,233	185,432	103,927	-	-
City Views, Zhongshan	Zhongshan South	100%	338,516	523,177	-	85,375	481,276
Spring Dew Mansion, Zhongshan	Zhongshan East	100%	76,387	175,133	-	24,934	24,934
Golden Home (金色家园), Zhongshan	Dongfeng Town	100%	236,937	829,280	169,200	-	-
Crystal City, Zhongshan	Huoju	65%	219,484	447,589	-	-	-
Huxin Island, Xiamen	Huli	100%	95,098	199,710	-	-	-
Jinse Yuecheng (金色悦城), Xiamen	Xiang'an	100%	54,441	109,000	-	63,046	63,046
King Metropolis, Xiamen	Jimei	100%	102,427	443,000	125,872	-	-
Haicang Dream Town, Xiamen	Haicang	40%	189,752	517,690	-	-	-
King Metropolis, Changsha	Yuhua	60%	238,066	585,091	276,465	128,251	128,251
The Paradiso, Changsha	Furong	100%	120,208	363,369	-	-	103,762
City Garden, Changsha	Yuelu	80%	39,339	157,214	21,608	70,215	70,215
The Dream Town, Changsha	Kaifu	70%	204,010	560,543	375,393	119,512	119,512
Zitai, Changsha	Tianxin	70%	99,770	168,422	-	-	-
Golden Paradise, Changsha	Yuelu	78%	43,737	128,026	-	-	-
Junjie Project, Changsha	Yuelu	58%	41,712	179,346	-	-	-
Gaozheng Project, Changsha	Yuhua	60%	40,360	169,797	-	-	-
Jinyu Rongjun (金城榕郡), Fuzhou	Jinan	100%	166,736	385,988	-	1,275	95,387
King Metropolis, Fuzhou	Cangshan	100%	16,168	37,599	-	34,399	34,399
Yongtai Dream Town, Fuzhou	Yongtai	51%	392,000	556,032	-	-	-
Vanke Plaza, Fuzhou	Taijiang	100%	93,359	432,407	275,400	-	-
Jinyu Garden (金城花园), Fuzhou	Taijiang	60%	25,397	127,129	-	-	-
Dream Town, Putian	Licheng	80%	148,014	329,906	146,092	-	-
Forest Holiday Park, Sanya	Sanya	65%	942,745	470,814	60,644	-	-
Gaozhiyuan Project, Sanya	Sanya	65%	387,807	349,026	-	69,185	69,185
Vanke Lakeside Holiday Park, Sanya	Sanya	80%	260,293	301,650	-	-	-
Subtotal			15,237,322	28,983,214	3,846,279	2,175,931	5,394,013
Shanghai region							
Chonggu Project, Shanghai	Qingpu	49%	116,524	145,266	22,465	-	-
Crystal Garden, Shanghai	Qingpu	100%	77,804	79,523	-	62,779	79,523
Ledu Road Project, Songjiang, Shanghai	Songjiang	33%	67,932	108,137	86,633	-	-
Golden Paradise, Jiading	Xinzhou New District	100%	166,273	282,194	132,447	-	-
Guangfulin Project, Shanghai	Songjiang	45%	130,970	104,778	-	-	-
Qinglinjing, Shanghai	Pudong New District	100%	99,209	148,814	-	-	-
Wujiefang project, Shanghai	Pudong New District	100%	121,463	129,242	-	-	-
Land lot of Beiye New City, Nantong	Gangzha	55%	99,910	218,650	117,499	-	-
Tongshan Street Project, Shanghai	Pudong New District	75%	58,550	182,230	52,338	-	-
Firenze, Shanghai	Minhang	49%	296,295	285,793	23,147	80,433	143,823
Bingjiang Project, Shanghai	Pudong New District	100%	38,753	103,132	-	-	-
Blue Mountain Town, Shanghai	Pudong New District	100%	433,180	209,171	-	57,476	209,171

Shanghai	District						
Golden City, Shanghai	Pudong New District	60%	405,627	809,929	-	-	244,437
Castle Tudor, Shanghai	Baoshan	100%	231,753	241,169	-	91,230	168,599
Juyuan Project, Shanghai	Jiading	50%	90,013	180,026	44,624	-	-
Floral City, Shanghai	Minhang	100%	140,678	207,773	-	32,523	207,773
187 Wuzhong Road, Shanghai	Minhang	100%	61,724	145,065	-	14,513	145,065
No. 53, Qibao Project, Shanghai	Minhang	100%	49,294	126,869	-	-	-
New City Garden, Shanghai	Minhang	51%	287,741	334,669	13,750	52,681	92,959
North of Land Lot No. 35, Qibao, Shanghai	Minhang	51%	39,366	69,913	-	-	-
Southern portion of Land Lot No. 03, Hongqiao Shanghai	Minhang	50%	32,170	110,462	-	-	-
Nimble Bay, Suzhou	Industrial District	70%	384,042	821,664	-	-	580,269
Benan Project, Suzhou	Industrial District	51%	155,673	124,538	-	22,986	124,388
Golden Home (金色家园), Suzhou	Canglang	100%	134,771	242,588	-	22,977	242,588
Changfeng Villa (长风别墅), Suzhou	Canglang	49%	48,713	48,693	-	27,726	48,700
Vanke International Plaza. (万科国际广场), Suzhou	Industrial District	51%	47,177	117,936	-	64,786	64,786
Vanke New Metropolis (万科新都会), Suzhou	Suzhou New District	55%	89,098	83,220	-	-	-
Golden Milestone Project, Suzhou	Jinchang	49%	99,093	247,732	87,139	-	-
Quemeibin Project, Mudu Town, Suzhou	Wuzhong District	55%	144,535	361,338	-	-	-
Kunshan Golf Project	Bacheng Town	100%	433,916	328,678	9,407	-	-
Glamorous City, Wuxi	Binhu	60%	960,000	1,346,963	46,607	99,736	830,329
Golden Paradise, Wuxi	New District	100%	224,376	620,713	78,648	92,645	136,532
The Paradiso, Wuxi	Binhu	100%	154,468	431,592	-	25,887	106,734
Xincheng Road Project, Wuxi	Binhu	100%	154,119	385,299	122,328	-	-
Liangzhu New Town, Hangzhou	Yuhang	100%	3,095,310	2,183,173	56,225	14,537	679,567
West Spring Butterfly Garden, Hangzhou	Xihu	51%	155,838	354,038	-	150,351	210,646
Golden Home (金色家园), Hangzhou	Fuyang	55%	55,576	110,834	-	110,834	110,834
Gongwang (公望), Hangzhou	Fuyang	100%	517,900	208,981	-	15,914	67,704
Caozhuang Project, Hangzhou	Jianggan	100%	37,178	86,938	-	-	-
Jinse Caozhuang (金色草庄), Hangzhou	Jianggan	50%	68,564	150,841	-	-	-
Fuyang Golf Land Lot A, Hangzhou	Fuyang	20%	69,941	104,912	-	-	-
Fuyang Golf Land Lot B, Hangzhou	Fuyang	20%	69,989	83,987	-	-	-
Fuyang Golf Land Lot C, Hangzhou	Fuyang	20%	68,244	68,244	-	-	-
Fuyang Golf Land Lot D, Hangzhou	Fuyang	20%	59,933	59,933	-	-	-
Anpin Street, Nanjing	Baixia	100%	27,325	20,340	-	-	-
The Paradiso, Nanjing	Jiangning	100%	272,298	544,612	153,035	70,648	70,648
Golden Milestone, Nanjing	Yuehua	100%	42,318	82,341	-	70,031	82,341
Respecte Chateau (金色领域), Nanjing	Qixia	100%	91,751	201,388	92,122	-	-
Yanshan Avenue Landlot, Nanjing	Pukou District	100%	62,300	100,000	-	-	-
Glamorous City, Zhenjiang	Runzhou	100%	795,100	942,820	109,206	77,561	338,530
Blue Mountain, Zhenjiang	Runzhou	60%	285,683	416,285	63,000	-	-

Golden Town, Ningbo	Yinzhou	100%	190,369	313,602	-	61,224	312,391
Yunluwan (云鹭湾), Ningbo	Jiangbei	15%	314,200	393,740	38,296	-	-
Golden City, Ningbo	Yinzhou	100%	95,242	171,435	93,908	-	-
Dream Town, Ningbo	Zhenhai	49%	226,777	488,148	137,378	-	-
Golden Mingjun, Hefei	Shushan	50%	107,326	401,670	117,128	102,435	162,522
King Metropolis, Hefei	Shushan	50%	115,628	412,101	67,775	-	-
Dream Town, Hefei	Binhu	55%	107,220	376,857	3,196	-	-
Qingshan Lake, Nanchang	Qingshan Lake	50%	97,061	133,693	-	22,904	37,830
Dew Garden (润园), Nanchang	Qingyunpu	50%	97,109	144,011	89,086	54,804	54,804
The Paradiso, Nanchang	Xihu	50%	21,818	75,338	75,338	-	-
Tianxiang Garden Project, Nanchang	Gaoxin	33%	299,845	417,362	-	-	-
Longwan Project, Wenzhou	Longwan	60%	125,219	179,768	90,424	-	-
Dream Town, Wuhu	Dongxin District	100%	274,404	493,926	151,329	-	-
Dream Town, Yangzhou	Hanjiang District	65%	297,139	313,970	72,867	-	-
Subtotal			14,219,815	19,419,047	2,247,345	1,499,621	5,553,493
Beijing Region							
Ruyuan, Beijing	Haidian	49%	138,644	279,937	31,100	-	-
No. 5 Park Front Boutique Apartment, Beijing	Chaoyang	60%	37,917	97,044	-	33,345	97,044
Blue Mountain, Beijing	Chaoyang	100%	55,885	147,249	9,218	62,819	62,819
The Metropolis (大都会), Beijing	Chaoyang	50%	5,329	42,556	42,556	-	-
Changyang Project, Beijing	Fangshan	50%	437,179	853,165	66,943	64,381	64,381
Changyang No. 3 Project, Beijing	Fangshan	50%	78,325	157,992	21,365	-	-
Xingfuhui (幸福汇), Beijing	Fangshan	68%	71,912	137,808	58,637	-	-
New Milestone, Beijing	Fangshan	50%	77,834	146,002	66,883	-	-
Jinyu Vanke City, Beijing	Changping	49%	178,908	543,461	120,200	97,740	267,093
King Metropolis, Beijing	Changping	50%	206,007	577,188	212,575	-	-
Holiday Town, Beijing	Fengtai	50%	224,289	413,304	-	70,312	388,338
Hongshi Jiayuan (红狮家园), Beijing	Fengtai	100%	59,800	184,502	-	-	146,009
King Metropolis, Tangshan	Lubei	60%	78,977	197,442	131,223	-	-
Stratford, Tangshan	Lunan	100%	153,527	96,661	49,760	29,363	29,363
Holiday Views (假日风景) Qinghuangdao	Haigang	48%	270,549	642,357	241,798	-	-
Phase II Guogongzhuang, Beijing	Fengtai	100%	14,449	36,123	-	-	-
Phase V Guogongzhuang, Beijing	Fengtai	50%	233,209	629,170	-	-	-
Golden Paradise, Beijing	Fangshan	50%	67,682	156,536	-	-	-
Castle Tudor, Beijing	Daxing	50%	67,650	172,825	-	-	-
Waterfront, Tianjin	Dongli	100%	2,708,886	1,763,059	91,596	75,633	709,878
A Glamorous City, Tianjin	Dongli	100%	176,773	258,579	25,521	64,275	158,417
New Milestone, Tianjin	Dongli	51%	136,524	204,786	-	93,797	93,797
Holiday Dew Garden, Tianjin	Xiqing	100%	229,300	343,101	79,069	18,895	126,559
Jin'ao International, Tianjin	Xiqing	100%	58,577	162,566	-	33,360	33,360
Binhai Modern, Tianjin	Development District	100%	6,538	40,312	-	-	-
Park Residence, Tianjin	Development District	100%	32,270	48,731	-	-	-
Harbor (海港城),	Binhai New	51%	149,483	373,691	128,860	-	-

Tianjin	District						
Jinlu (锦庐), Tianjin	Binhai New District	95%	90,604	126,600	13,580	-	-
East Coast, Tianjin	Binhai New District	51%	255,000	382,500	-	-	-
Jinse Yazhu (金色雅筑), Tianjin	Dongli	49%	90,792	171,281	14,616	56,064	56,064
Shilinyuan (仕林苑), Tianjin	Jinnan	40%	63,582	114,474	104,573	-	-
New Elm Mansion, Shenyang	Hunnan New District	100%	182,139	289,647	-	57,843	289,647
Dream Town, Shenyang	Heping	49%	361,320	874,752	59,706	68,217	561,158
Rancho Santa Fe, Shenyang	Dongling	100%	387,700	132,784	-	27,571	132,784
A Glamorous City, Shenyang	Yuhong	100%	156,817	297,026	416	41,613	248,316
The Paradiso, Shenyang	Hunnan New District	100%	226,356	615,688	75,379	108,858	261,019
Jiyu International (金城国际), Shenyang	Tiexi	100%	27,249	108,581	-	106,092	106,092
Park Residence, Shenyang	Shenhe	55%	83,227	291,295	-	-	-
Whistler (惠斯勒), Shenyang	Dongling	70%	315,362	378,434	43,715	-	-
Dadong Blue Mountain, Shenyang	Dadong	60%	74,527	222,520	100,919	-	-
Spring Dew Mansion (Long Mansion), Shenyang	Tiexi	70%	66,547	180,363	85,147	-	-
Spring Dew Mansion (Run Mansion), Shenyang	Tiexi	100%	40,971	102,013	-	-	-
Xianghushengjing (香湖胜景), Shenyang	Yuhong	49%	190,156	360,715	140,015	-	-
02A Xianghushengjing, Shenyang	Yuhong	51%	135,464	286,165	-	-	-
Chunhe Project, Shenyang	Shenhe	79%	81,378	431,232	82,623	-	-
Lutedan (鹿特丹), Shenyang	Heping	100%	120,333	360,999	103,013	-	-
Tomorrow Square, Shenyang	Hunnan New District	65%	199,319	597,957	215,818	-	-
The Paradiso, Fushun	Development District	100%	135,079	391,100	154,165	-	-
Whistler (惠斯勒), Anshan	Tiedong	100%	303,700	414,816	130,803	85,909	85,909
Golden Home Anshan	Tiedong	100%	48,874	97,969	-	-	97,969
Dream Town, Anshan	Gaoxin	100%	167,664	393,838	109,288	39,238	158,638
Whistler East (惠斯勒东) Project, Anshan	Tiedong	100%	118,500	296,250	-	-	-
Phase II of South Lake Project, Fushan	Development District	100%	91,500	348,000	-	-	-
Yongle Park, Anshan	Tiexi	51%	225,715	677,000	-	-	-
Ravine Village, Dalian	Ganjingzi	55%	363,716	380,922	33,780	128,084	362,790
A Glamorous City, Dalian	Ganjingzi	55%	216,000	448,512	71,186	100,496	228,495
Spring Dew Mansion,, Dalian	Ganjingzi	100%	118,879	229,822	-	-	-
Habor, Dalian	Puwan New District	55%	757,350	1,253,300	194,033	-	-
Xishan Project, Dalian	Ganjingzi	55%	90,404	113,308	-	-	-
Cherry Blossom Garden, Dalian	High-Tech Industrial Zone	55%	192,248	363,349	-	-	-
Yangpu Garden, Changchun	Economic Development Zone	100%	89,678	176,618	-	78,856	175,964
Waterside Villa (潭溪别墅), Changchun	Jingyue Development Zone	100%	75,000	49,019	-	12,663	48,263
Blue Mountine, Changchun	Erdao	100%	251,356	501,678	176,038	-	-
Whistler (惠斯勒), Changchun	Jingyue	50%	399,715	484,714	65,526	-	-

Park Residence, Changchun	Chaoyang	100%	276,769	503,349	220,739	-	-
Dream Town, Jinlin	Gaoxin	65%	728,139	2,155,910	345,263	-	-
Dream Town, Changchun	Jingyue Development Zone	51%	350,965	1,056,480	137,112	-	-
Wonderland, Qingdao	Jimo	55%	153,284	240,507	30,698	68,478	148,161
A Glamorous City, Qingdao	Chengyang	80%	200,289	341,404	51,604	56,157	293,566
City Garden, Qingdao	Chengyang	80%	130,873	228,823	114,913	56,700	56,700
Aureate City, Qingdao	Sifang	100%	61,873	174,102	-	63,297	150,871
Blue Mountain, Qingdao	Shibei	100%	68,153	202,485	66,816	-	-
Dream Town, Qingdao	Sifang	55%	154,607	399,565	91,723	-	-
Qingdao Ecological Town	Licang	100%	141,273	260,784	179,883	-	-
Qingdao Town	Jiaonan	34%	933,293	989,125	-	-	-
Jinyu Internationl, Taiyuan	Wanbolin	100%	49,407	169,679	169,679	-	-
Zitai, Taiyuan	Yingze	51%	95,687	331,236	136,224	-	-
Spring Dew Mansion, Jinzhong	Yuci	51%	218,143	482,246	104,626	-	-
Blue Mountain, Taiyuan	Wanbolin	51%	198,392	687,671	-	-	-
Dituan Project, Yantai	Zhifu	100%	311,614	444,065	47,546	-	-
Zhonglian Logistic Project, Yantai	Fushan	70%	190,281	361,220	157,172	-	-
Subtotal			17,013,686	30,680,039	5,205,641	1,800,056	5,639,464
Chengdu region							
A Glamorous City, Chengdu	Chenghua	60%	308,501	761,258	69,350	138,233	612,385
Jinyu Xiling (金城西岭), Chengdu	Jinniu	60%	79,331	361,100	-	127,912	225,224
Respecte Chateau (金色领域), Chengdu	Qingyang	100%	49,628	244,459	140,164	-	-
Jinrun Huafu, Chengdu	Jingjiang	100%	52,895	267,928	67,169	47,350	47,350
Golden Hairong, Chengdu	Wuhou	49%	54,970	234,125	-	-	51,110
Haiyue Huicheng, Chengdu	Shuangliu	90%	104,307	521,698	138,298	-	-
Phase 1, Wulonshang (五龙山), Chengdu	Xindu	100%	345,168	356,503	203,118	-	-
Vanke Diamond Plaza, Chengdu	Chenghua	100%	15,404	92,422	92,422	-	-
A Glamorous City, Wuhan	East Lake High-Tech Development Zone	100%	225,258	405,457	-	143,061	405,457
Element Integration (万科圆方), Wuhan	Jianghan	55%	12,022	42,869	-	37,527	37,527
Golf City Garden, Wuhan	Dongxihu	49%	237,660	393,858	10,280	101,456	286,822
King Metropolis, Wuhan	Wuchang	55%	59,790	191,300	-	36,458	36,458
Dream Town, Wuhan	Jianghan	100%	65,901	299,337	130,511	109,305	109,305
Vanke Stratford, Wuhan	East Lake High-Tech DevelopmentZone	100%	230,970	349,607	147,744	84,679	84,679
The Paradiso, Wuhan	Economic and Technological Development Zone	100%	213,440	533,600	85,487	-	-
Huanzi Lake, Wuhan	Jianghan	100%	102,500	542,923	-	-	-
Tangjiadun, Wuhan	Jianghan	50%	267,200	1,324,300	-	-	-
Hanyang International, Wuhan	Hanyang	100%	167,240	570,676	101,779	-	-
Changzheng Village Wuhan	Hongshan	100%	282,235	871,721	-	-	-
Golden City, Wuhan	Hongshan	100%	274,100	896,484	370,837	-	-
Huashan Ecological Town, Wuhan	Hongshan	50%	199,705	299,557	-	-	-

Youcheng Ecological Garden (友诚生态名苑), Chongqing	Yubei	51%	229,581	344,372	31,486	122,649	280,406
Tixiangjun (缙香郡), Chongqing	Northern New District	100%	41,448	145,067	-	56,327	56,327
Yuefu (悦府), Chongqing	Northern New District	100%	138,071	376,737	186,386	23,178	23,178
Jincheng (锦程), Chongqing	Yuzhong	100%	105,463	533,486	270,491	-	-
Dream Town, Chongqing	Northern New District	55%	278,165	647,378	215,219	-	-
Vega Villa (天琴湾), Chongqing	Jiangbei	45%	435,499	649,158	-	-	-
Xinde City, Xi'an	Yanta	100%	20,156	106,616	-	51,558	106,616
Jinyu Qujiang (金域曲江), Xi'an	Qujiang New District	55%	152,667	385,408	181,354	-	-
Dream Town, Xi'an	Chang'an	85%	176,056	614,377	232,082	-	-
Landlot No. 3, Dream Town, Xi'an	Chang'an	100%	113,231	352,803	88,021	-	-
King Metropolis, Xi'an	Weiyang	51%	106,667	373,634	-	-	-
Daminggong, Xi'an.	Weiyang	70%	69,052	221,603	-	-	-
King Metropolis, Guiyang	Xiaohe	51%	351,800	581,217	132,776	30,393	30,393
Nimble Bay, Guiyang	Yunyan	100%	90,456	201,012	6,804	-	-
Power Plant, Guiyang	Xiaohe	51%	181,235	761,187	-	-	-
Jinyu Tixiang, Kunming	Panlong	100%	104,724	267,084	103,972	-	-
Dew Garden (润园), Baisha, Kunming	Panlong	100%	192,104	243,214	53,942	-	-
King Metropolis, Urumqi	New District	100%	53,267	146,009	116,506	-	-
Nanshan Villa, Urumqi	Urumqi County	100%	32,760	14,900	-	-	-
Subtotal			6,220,627	16,522,544	3,176,198	1,110,086	2,393,237
Total			52,691,450	95,604,844	14,475,463	6,585,694	18,980,207

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 2011, 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 RMB2.34 billion, representing a year-on-year increase of 63.6% and accounting for 3.19% of the total purchase for the year, which is 1.56 percentage points lower than 2010's.

(2) The aggregate revenue from the Company's five largest customers as a percentage of its total revenue during the year

The Company's product is commodity housing. A majority of its customers are individual homebuyers from various cities. Government projects made up only a certain portion of its total sales and sales to bulk purchasers generating a relatively high sales amount were seen only in a few cases. Revenue from the five largest customers in 2011 amounted to approximately RMB1.732 billion, accounting for 2.6% of the Company's total revenue of 2011.

4. Financial status of the Company

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

Unit : RMB'000

Financial indicators	31-Dec-2011	31-Dec-2010	Change (+/-)	Reasons for changes
Total Assets	296,534,297	215,984,662	37.29%	Expansion of the Company
Inventories	208,661,350	133,680,569	56.09%	Increase in newly added projects
Investment properties	1,126,105	129,176	771.76%	Increase in Investment properties under development and properties under development
Current Loans and borrowings	23,570,276	16,783,691	40.44%	Change in debt structure

Trade and other payables	168,893,596	106,138,344	59.13%	Increase in investment for the development of projects with associates and jointly controlled entities
Total equity attributable to equity shareholders of the Company	52,967,795	44,232,677	19.75%	Increase in net profit
Financial indicators	2011	2010	Change (+/-)	Reasons for changes
Revenue	67,709,396	47,763,550	41.76%	Increase in booked scales
Cost of sales	43,249,418	29,528,521	46.47%	ncrease in booked scales
Profit before taxation	19,490,060	14,542,867	34.02%	Operating profit increased
Income tax	7,890,454	5,703,256	38.35%	Net profit increased during the year
Profit Attributable to Equity shareholders of the Company	9,624,875	7,283,128	32.15%	Net profit increased during the year
Other financial indicators	2011	2010	Change (+/-)	Reasons for changes
Gearing ratio	77.12%	74.73%	Up by 2.39percent	Greater increase in advance receipts, etc
Current ratio	1.41	1.59	down by 0.18	Relatively rapid increase in advance receipts and properties under development
Quick ratio	0.37	0.56	Down by 0.19	Relatively rapid increase in advance receipts and properties under development
Equity ratio	21.88%	25.27%	Down by 2.39percent	Greater increase in receipts in advance, etc
Accounts turnover (Day)	8	9	-	Speed up turnover
Inventory turnover (Day)	1,442	1,337	Increase by 58days	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 2011 are as follows:

Unit: RMB'000

Total amount of proceeds, net	9,936,600			Funds used for investment during the year	209,820			
Amount of proceeds with changed usage	0			Accumulated funds used				9,816,810
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	Accumulated realized income	Does it achieve estimated income	Change in feasibility
Everest Town (former Science City H3 Project), Guangzhou	No	600,000		600,000	100%	150,400	Yes	No
The Paradiso (former Jinshazhou Project), Guangzhou	No	800,000		800,000	100%	436,200	Yes	No
The Dream Town (former Nanzhuang Project), Foshan	No	900,000		900,000	100%	397,950	Yes	No

Zhuhai Hotel Project, Xiangzhou District, Zhuhai	No	650,000	9,960	650,000	100%	228,230	Yes	No
West Spring Butterfly Garden (former Jiangcun Project), Hangzhou	No	700,000		700,000	100%	991,590	Yes	No
Liangzhu Project, Yuhang District, Hangzhou	No	1,700,000		1,700,000	100%	435,810	Yes	No
Golden Town Project, Yinzhou District, Ningbo	No	1,636,600		1,636,600	100%	907,570	Yes	No
Wujiefang Project, Pudong, Shanghai	No	1,200,000	139,650	1,200,000	100%	-	Yes	No
Jinse Yazhu (former Zhonglin Project), Shanghai	No	700,000		700,000	100%	268,760	Yes	No
Anpin Street Project, Baixia District, Nanjing	No	650,000	60,210	530,210	82%	-	Yes	No
Stratford (former Huangjiayu Project), Nanjing	No	400,000		400,000	100%	45,620	No	No
Total	No	9,936,600	209,820	9,816,810	99%	3,862,130	-	-
Remarks on delay and failure to achieve estimated income (by project)	<p>(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 in the second half of 2010. The overall development plan of the project will be adjusted according to progress. The project is expected to be ready for sale in 2012. 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 has completed planning reports submission. The overall development plan of the project will be adjusted according to progress.</p> <p>(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 or is expected to exceed 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.</p>							
Remarks on reasons and procedures for changes (by project)	No changes							
Application of the balance of the proceeds	As of 31 December 2011, the Company had applied RMB9,816,810,000 of the proceeds in accordance with the prospectus. The amount represented 98.8% of the net proceeds of RMB9,936.6 million. The balance of proceeds of RMB119.79 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 investment amount increased by RMB12,263 million, which were used as follows:

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

N o.	Newly-established company	Currency	Registered Capital ('000)	Actual investment by China Vanke (RMB'000)	Scope of business
1	Shenyang Vanke Hengxiang Property Co., Ltd. (沈阳万科恒祥置地有限公司)	RMB	2,500,000	1,975,000	Property development
2	Shenyang Vanke Dongban Property Co., Ltd. (沈阳万科东阪置业有限公司)	RMB	1,700,000	1,105,000	Property development
3	Dalian Xicheng Property Co., Ltd. (大连西城置业有限公司)	RMB	340,000	187,000	Property development
4	Chongqing Wanxu Property Co., Ltd. (重庆万旭置业有限公司)	RMB	225,000	225,000	Property development
5	Dalian Vanke The Paradiso Development Co., Ltd. (大连万科金域蓝湾开发有限公司)	USD	200,000	720,000	Property development
6	Qinhuangdao Vanke Real Estate Co., Ltd. (秦皇岛万科房地产开发有限公司)	RMB	160,000	160,000	Property development
7	Qinhuangdao Vanke Holiday Town Real Estate Development Co., Ltd. (秦皇岛万科假日风景房地产开发有限公司)	RMB	150,000	120,000	Property development

8	Wuhan Liantou Vanke Ecological Town Real Estate Co., Ltd. (武汉联投万科生态城房地产有限公司)	RMB	150,000	75,000	Property development
9	Chengdu Vanke Kaibin Land Consolidation Co., Ltd. (成都万科凯宾土地整理有限公司)	USD	130,000	504,645	Land consolidation
10	Vanke(Chongqing)Blue Mountain Property Co., Ltd. (万科(重庆)蓝山置业有限公司)	USD	110,000	383,681	Property development
11	Rizhou Vanke Real Estate Development Co., Ltd. (日照万科房地产开发有限公司)	RMB	100,000	100,000	Property development
12	Zhejiang Zhenan Vanke Real Estate Co., Ltd. 浙江浙南万科房地产有限公司	RMB	100,000	100,000	Property development
13	Tianjin Vanke Jiangjian Property and Investment Co., Ltd. (天津万科疆建置业投资有限公司)	RMB	100,000	51,000	Property development
14	Changchun Vanke Xincheng Real Estate Co., Ltd. (长春万科新城房地产开发有限公司)	RMB	100,000	51,000	Property development
15	Jiangxi Vanke Yida Property Investment Co., Ltd. (江西万科益达置业投资有限公司)	RMB	100,000	50,000	Property development
16	Beijing Jindi Vanke Real Estate Development Co., Ltd. (北京金第万科房地产开发有限公司)	RMB	60,000	30,000	Property development
17	Xuhu Vanke Real Estate Co., Ltd. (芜湖万科房地产有限公司)	RMB	60,000	60,000	Property development
18	Beijing Wanzhu Real Estate Development Co., Ltd. (北京万筑房地产开发有限责任公司)	RMB	51,000	5,100	Property development
19	Nantong Vanke Investment Co., Ltd. (南通万科投资有限公司)	RMB	50,000	27,500	Property development
20	Wanzhou Vanke Litian Property Co., Ltd. (温州万科力天置业有限公司)	RMB	50,000	30,000	Property development
21	Beijing Wukuang Vanke Property Co., Ltd. (北京五矿万科置业有限公司)	RMB	50,000	24,500	Property development
22	Wuhu Vanke Wanjia Real Estate Co., Ltd. (芜湖万科万嘉房地产有限公司)	RMB	30,000	30,000	Property development
23	Wuhu Vanke Wandong Real Estate Co., Ltd. (芜湖万科万东房地产有限公司)	RMB	30,000	30,000	Property development
24	Guangzhou Wanrong Real Estate Co., Ltd. (广州市万融房地产有限公司)	RMB	30,000	30,000	Property development
25	Putian Vanke Property Co., Ltd. (莆田市万科置业有限公司)	RMB	30,000	24,000	Property development
26	Xiamen Vanke Maluanwan Co., Ltd. (厦门市万科马銮湾置业有限公司)	RMB	30,000	12,000	Property development
Total				6,110,425	

In addition to the aforesaid companies, the Group had promoted and established another 34 companies, with a total amount of investment of RMB240 million.

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

- a) On 1 April 2011, the Company acquired 100% equity interests in Guangzhou Panyu Xingxin Real Estate Co., Ltd. for a consideration of RMB3.1 billion.
- b) On 4 November 2011, the Company acquired 50% equity interests in Shenzhen Mingjue Investment Development Company Limited, through which the Company obtained 90% equity interests in Shenzhen Mingjue Real Estate Co., Ltd. (深圳市名爵房地产有限公司), a subsidiary of Shenzhen Mingjue Investment Development Company Limited, for a consideration of RMB854 million.
- c) On 4 November 2011, the Company acquired 65% equity interests in Jiangxi Tianxiangyuan Property Co., Ltd (江西天香园房产置业有限公司) for a consideration of RMB173 million.
- d) On 9 May 2011, the Company acquired 100% equity interests in Hong Kong Future Vision Investment Ltd. (香港鸿弘投资有限公司) for a cash consideration of US\$23 million.
- e) On 25 August 2011, the Company acquired 60% equity interests in Urumqi Yama West Bank Trading Co., Ltd. (乌鲁木齐市雅玛西岸商贸有限公司) for a consideration of RMB123 million.

During the year under review, the Company acquired another 16 companies for a total consideration of RMB247 million.

3) During the year under review, the Company increased the capital of 18 subsidiaries by RMB1,242 million. Of the total amount, RMB568 million was for Guangzhou Wanyi Real Estate Co., Ltd. and RMB250 million for Beijing Zhuzong Vanke Real Estate Development Co., Ltd. Capital injection to other companies amounted to RMB424 million.

B. Other investments

During the year under review, the Company acquired 52 development projects, with a site area attributable to China Vanke's equity holding of approximately 4,160,000 sq m (planned GFA attributable to China Vanke's equity holding of approximately 9,220,000 sq m). Besides, the Company was also involved in 6 city redevelopment projects; according to the current planning, the related site area attributable to China Vanke's equity holding was approximately 690,000 sq m (planned GFA attributable to China Vanke's equity holding was approximately 2,270,000 sq m).

Unit: sq m

No.	City	Project	Location	Equity interest	Site area	Planned GFA	GFA attributable to China Vanke's equity holding	Progress
1	Shenzhen	Langqi Project	Longgang District	100%	41,487	22,380	22,380	Pre-construction
2	Shenzhen	Feilijun, Shenzhen	Bao'an District	55%	77,265	254,930	140,212	Sale in progress
3	Huizhou	Subsequent phase of Lunas Del Mar,	Huidong County	67%	28,000	56,000	37,520	Pre-construction
4	Dongguan	Spring Dew Mansion	Tangxia Town	51%	53,060	105,641	53,877	Under construction
5	Dongguan	Phase II of Tangxia Town	Tangxia Town	51%	75,084	150,488	76,749	Pre-construction
6	Dongguan	Song Lake Centre	Songshan Lake Science and Technology Industry Park	34%	95,506	73,872	25,116	Pre-construction
7	Dongguan	Area 2, Song Lae Centre	Songshan Lake Science and Technology Industry Park	25%	30,084	30,084	7,521	Pre-construction
8	Guangzhou	Stratford	Panyu District	100%	364,651	571,743	571,743	Sale in progress
9	Guangzhou	Landlot B, Science City,	Luogang District	33%	109,748	274,370	90,542	Pre-construction
10	Guangzhou	Baiyun New Town,	Baiyun District	100%	24,052	94,264	94,264	Pre-construction
11	Foshan	Nanyue Project,	Chancheng District	51%	89,000	373,820	190,648	Pre-construction
12	Zhongshan	Crystal City	Torch Development Zone	65%	219,484	447,589	290,933	Pre-construction
13	Zhuhai	City Garden	Jinwan District	51%	63,233	185,432	94,570	Pre-construction
14	Xiamen	Dream Town	Haicang District	40%	189,752	517,690	207,076	Pre-construction
15	Putian	Dream Town	Licheng District	80%	148,014	329,906	263,925	Under construction
16	Changsha	Gaozheng Project	Yuhua District	60%	40,360	169,797	101,878	Pre-construction
17	Shanghai	Juyuan project	Jiading District	50%	90,013	180,026	90,013	Under construction
18	Shanghai	Ledu Road project , Songjiang	Songjiang District	33%	67,932	108,137	35,685	Under construction
19	Shanghai	Southern portion of Land Lot No. 03, Hongqiao	Minhang District	50%	32,170	110,462	55,231	Pre-construction
20	Hangzhou	Land Lot A, Fuyang Golf	Fuyang City	20%	69,941	104,912	20,982	Pre-construction

21	Hangzhou	Land Lot B, Fuyang Golf	Fuyang City	20%	69,989	83,987	16,797	Pre-construction
22	Hangzhou	Land Lot C, Fuyang Golf	Fuyang City	20%	68,244	68,244	13,649	Pre-construction
23	Hangzhou	Land Lot D, Fuyang Golf	Fuyang City	20%	59,933	59,933	11,987	Pre-construction
24	Suzhou	Golden Milestone	Jinchang District	49%	99,093	247,732	121,389	Sale in progress
25	Suzhou	Quemeibin Project, Mudu Town	Wuzhong District	55%	144,535	361,338	198,736	Pre-construction
26	Nanjing	Yanshan Avenue Project	Pukou District	100%	62,300	100,000	100,000	Pre-construction
27	Nanchang	Tianxiangyuan	Gaoxin District	33%	299,845	417,362	135,643	Pre-construction
28	Hefei	Dream Town	Binhu District	55%	107,220	376,857	207,272	Pre-construction
29	Wuhu	Dream Town	Chengdong New District	100%	274,404	493,926	493,926	Sale in progress
30	Beijing	Phase II, Guogongzhuang Project	Fengtai District	100%	14,449	36,123	36,123	Pre-construction
31	Beijing	Phase V Guogongzhuang, Beijing	Fengtai District	50%	233,209	629,170	314,585	Pre-construction
32	Beijing	Golden Paradise,	Fangshan District	50%	67,682	156,536	78,268	Pre-construction
33	Beijing	Castle Tudor	Daxing District	50%	67,650	172,825	86,413	Pre-construction
34	Qinhuangdao	Holiday Town	Haigang	48%	270,549	642,357	308,331	Sale in progress
35	Tianjin	East Coast,	Binhai New Area	51%	255,000	382,500	195,075	Pre-construction
36	Tianjin	Shilinyuan	Jinnan District	40%	63,582	114,474	45,790	Sale in progress
37	Shenyang	Tomorrow City	Hunnan New District	65%	199,319	597,957	388,672	Sale in progress
38	Fushun	Phase II, Paradiso Project	Development District	100%	91,500	348,000	348,000	Pre-construction
39	Dalian	Xishan Project	Ganjingzi District	55%	90,404	113,308		Pre-construction
40	Dalian	Cherry Blossom Garden	High-Tech Zone	55%	192,248	363,349	199,842	Pre-construction
41	Anshan	Yongle Park Project	Tiexi District	51%	225,715	677,000	345,270	Pre-construction
42	Changchun	Dream Town	Jingyue Economic Development Zone	51%	350,965	1,056,480	538,805	Sale in progress
43	Qingdao	Qingdao Town	Jiaonan City	34%	933,293	989,125	336,303	Under construction
44	Taiyuan	Zitai	Yingze District	51%	95,687	331,236	168,931	Under construction
45	Taiyuan	Jinyu International,	Wanbolin District	100%	49,407	169,679	169,679	Sale in progress
46	Taiyuan	Blue Mountain	Wanbolin District	51%	198,392	687,671	350,712	Under construction
47	Jinzhong	Spring Dew Mansion,	Yuci	51%	218,143	482,246	245,945	Under construction
48	Chengdu	Vanke Diamond Plaza	Chenghua District	100%	15,404	92,422	92,422	Under construction
49	Wuhan	Golden City	Hongshan District	100%	138,500	426,072	426,072	Pre-construction
50	Wuhan	Changzhengcun	Hongshan District	100%	282,235	871,721	871,721	Pre-construction
51	Wuhan	Huashan Ecological Town Project	Huashan Ecological New Town	50%	199,705	299,557	149,779	Pre-construction
52	Wuhan	Hanyang International project	Hanyang District	100%	167,240	570,676	570,676	Sale in progress
53	Xi'an,	Land Lot No. 3, Dream Town	Chang'an District	100%	113,231	352,803	352,803	Sale in progress
54	Xi'an,	Daminggong Project	Weiyang District	70%	69,052	221,603	155,122	Pre-construction

55	Xi'an,	King Metropolis	Weiyang District	51%	106,667	373,634	190,553	Pre-construction
56	Chongqing	Vega Villa	Jiangbei District	45%	435,499	649,158	292,121	Pre-construction
57	Guiyang	Power Plant Project	Xiaohe District	51%	181,235	761,187	388,205	Pre-construction
58	Urumqi	Nanshan Project	Urumqi County	100%	32,760	14,900	14,900	Pre-construction
Total				-	8,453,122	18,954,692	11,493,701	-

The total land premium and composite redevelopment cost of the above-mentioned projects attributable to China Vanke's equity holding was approximately RMB29.5 billion. As at the end of 2011, the Company had paid a total premium and redevelopment cost of approximately RMB18.2 billion for the above-mentioned new projects.

From the end of the year under review to the date of publication of this report, the Company had participated in 1 redevelopment project, with a site area of approximately 84,000 sq m. According to current planning, the corresponding GFA was approximately 394,000 sq m. Details are as follows:

(Unit: sq m)

City	Project	Location	Equity interest	Site area	Planned GFA	GFA attributable to China Vanke's equity holding	Progress
Guangzhou	Wenchong redevelopment, project	Huangpu	100%	84,226	394,432	394,432	Under construction

6. Project development plan for the new year

At the end of 2011, the Company had 280 development projects; the total GFA of projects under development attributable to China Vanke's equity holding amounted to approximately 21,650,000 sq m, the total GFA of projects under planning attributable to China Vanke's equity holding amounted to approximately 35,470,000 sq m.

In 2012, adjustment will continue in the property market. In view of the Company's existing projects, the floor area commencing construction for the year is expected to amount to 13,280,000 sq m, which is 8.3% lower than the actual floor area commencing construction achieved in 2011. Since construction of part of the projects acquired in 2012 will commence in the current year, it is expected that the actual construction area in 2012 will be higher than that of 2011. On the other hand, the Company will also continue to speed up construction to shorten the time for completion. The completed area in 2012 is expected to amount to 8,900,000 sq m, up by 35% from the actual completed area in 2011.

The Group's major projects in 2012:

Project Name	Location	Equity interest	Site area	Planned GFA	Unit: sq m		
					Planned area of newly commenced construction in 2012	Planned completed area in 2012	GFA construction of which not commenced as at the end of 2011
Guangshen region							
Vanke Centre, Shenzhen	Yantian	100%	61,730	80,201	-	-	-
Vega Villa, Shenzhen	Yantian	100%	253,990	25,040	-	2,901	4,092
Yantian Central Line Project	Yantian	100%	137,250	345,270	193,870	-	325,370
King Metropolis, Shenzhen	Baoan	100%	68,310	196,182	-	-	-
Respecte Chateau, Shenzhen	Baoan	100%	65,364	161,856	-	49,343	7,972
Ravine Village, Shenzhen	Baoan	60%	158,639	47,270	-	-	47,270
The Village, Shenzhen	Longgang	100%	421,916	595,982	-	-	-
Golden Hill, Shenzhen	Longgang	100%	62,474	96,969	-	41,001	-

Jiuzhou Project, Shenzhen	Longgang	100%	201,833	967,428	157,370	-	427,218
Qianlin Shanju, Shenzhen	Longgang	100%	198,597	361,753	-	7,485	-
Home, Shenzhen	Longgang	100%	31,337	150,370	-	-	-
Jinse Qinyuan Project, Shenzhen	Longgang	90%	37,740	69,608	-	-	-
Shuijing Project, Buji, Shenzhen	Longgang	60%	164,989	455,134	112,848	-	449,360
Park Avenue, Shenzhen	Longgang	65%	104,819	471,915	92,450	-	433,785
Golden Paradise., Shenzhen	Pingshan New District	100%	104,801	315,808	120,356	-	158,440
Yuyi Village Project, Shenzhen	Nanshan	80%	19,500	142,000	-	-	142,000
Nanyuan New Village Project, Shenzhen	Nanshan	80%	82,600	581,700	-	-	581,700
Tangyue, Dongguan	Tangxia	51%	596,786	412,504	63,403	25,883	218,187
Dajia Island, Shenzhen	Huizhou	100%	364,450	93,340	-	-	93,340
Lunas Del Mar, Huizhou	Huidong	67%	704,223	1,139,325	65,000	-	645,800
Jinyu Huating, Huizhou	Huicheng	100%	151,298	313,678	64,751	24,477	157,961
Langqi Project, Shenzhen	Longgang	100%	41,487	22,380	-	-	22,380
Feilijun, Shenzhen	Baoan	55%	77,265	254,930	112,056	-	226,168
Subsequent phase of Lunas Del Mar, Huidong	Huidong	67%	28,000	56,000	-	-	56,000
The Paradiso, Guangzhou	Baiyun	50%	144,657	433,584	-	-	-
Aureate City, Guangzhou	Panyu	100%	58,093	72,549	-	-	-
Tongfu West, Guangzhou	Haizhu	100%	9,929	85,279	-	-	-
Le Bonheur, Guangzhou	Liwan	100%	38,111	135,689	-	36,084	-
Jinshazhou B04 Project, Guangzhou	Baiyun	100%	17,207	30,973	-	-	-
Fuqian No. 1, Guangzhou	Nansha	95%	134,760	269,520	-	66,557	-
Racho Santa Fe, Guangzhou	Huadu	49%	210,288	124,338	-	14,517	-
Dream Town, Qingyuan	Qingyuan	100%	689,326	1,356,279	566,000	113,382	989,349
Vanke Huafu, Qingyuan	Qingyuan	100%	79,164	312,820	73,598	22,442	186,820
Donghui Town, Guangzhou	Luogang	55%	177,588	454,175	56,545	-	318,173
Stratford, Guangzhou	Panyu	100%	364,651	571,743	-	-	397,421
Landlot B, Science City, Guangzhou	Luogang	33%	109,748	274,370	73,816	-	274,370
Baiyun New Town, Guangzhou	Baiyun	100%	24,052	94,264	45,000	-	94,264
Jinyu Songhu (金域松湖), Dongguan	Songshan Lake	51%	136,151	381,000	169,260	78,064	176,505
Hongxinuoya, Dongguan	Songshan Lake	100%	349,951	267,450	-	86,247	0
Humen Zitai (虎门紫台), Dongguan	Humen	100%	60,570	151,426	-	90,921	-
Chang'an Vanke Centre, Dongguan	Chang'an Town	100%	75,653	249,654	100,412	43,150	205,192
Vanke Building, Dongguan	Nanchang	100%	4,771	42,937	-	-	-
King Metropolis, Dongguan	Nanchang	51%	189,934	493,827	119,871	78,815	119,871
Feilishan (翡丽山), Dongguan	Nanchang	50%	249,534	374,302	-	50,744	218,833
Jiyu International, Dongguan	Houjie Town	100%	88,788	257,486	48,845	16,479	48,845
Changping Dream Town, Dongguan	Changping	100%	635,971	442,460	106,424	18,928	106,424
Vanke Luhui, (万科麓湖) Dongguan	Dalingshan	100%	146,674	117,341	-	37,402	-
The Paradiso, Dongguan	Dalang	51%	91,780	183,560	-	-	-
Spring Dew Mansion, Dongguan	Tangxia	51%	128,144	256,129	117,930	-	176,221
Song Lake Centre, Dongguan	Songshan Lake	34%	95,506	73,872	31,733	-	73,872
Song Lake Centre II, Dongguan	Songshan Lake	25%	30,084	30,084	30,084	-	30,084
The Paradiso, Foshan	Nanhai	55%	221,035	574,690	219,213	163,012	95,708
Crystal City, Foshan	Shunde	49%	284,036	710,092	97,700	38,013	503,854
Qinyuan, Foshan	Shunde	100%	80,571	241,712	64,080	144,324	68,005
Nancun Project, Foshan	Chancheng	57%	114,429	564,667	461,680	-	421,387
Binfen Siji (缤纷四季) Project, Foshan	Shunde	100%	156,840	429,527	90,959	118,910	90,959
Tianaowan, Foshan	Shunde	50%	30,382	75,954	-	-	20,904

Jinse Xigu Huayuan (金色溪谷花园), Foshan	Nanhai	100%	66,533	79,839	-	27,181	54,456
Xincheng Wanpan, Foshan	Shunde	100%	69,877	139,754	-	-	-
Rancho Santa Fe, Foshan	Shunde	100%	127,598	228,002	-	-	-
King Metropolis, Foshan	Nanhai	100%	110,001	240,170	-	-	-
The Dream Town, Foshan	Chancheng	100%	337,544	776,350	145,800	59,723	465,383
Jinyu Huating, Foshan	Nanhai	55%	75,916	184,607	-	35,387	-
Nanyue Project, Foshan	Chancheng	51%	89,000	373,820	112,000	-	373,820
Zhubin Garden, Zhuhai	Xiangzhou	100%	109,917	143,792	-	65,429	-
Jinyugangwan, Zhuhai	Xiangzhou	50%	78,000	192,203	39,993	-	192,203
Jinyuehuating, Zhuhai	Tanzhou	100%	32,103	127,789	-	-	-
A Glamorous City, Zhuhai	Doumen	100%	137,061	274,122	160,588	-	274,122
City Garden, Zhuhai	Jinwan	51%	63,233	185,432	81,505	-	81,505
City Views, Zhongshan	Zhongshan South	100%	338,516	523,177	-	17,930	-
Spring Dew Mansion, Zhongshan	Zhongshan East	100%	76,387	175,133	-	64,989	-
Golden Home, Zhongshan	Dongfeng Town	100%	236,937	829,280	-	64,505	660,080
Crystal Town, Zhongshan	Torch Development Zone	65%	219,484	447,589	55,000	-	447,589
Heart of Lake, Xiamen	Huli	100%	95,098	199,710	-	47,044	135,355
Joying Golden City, Xiamen	Xiang'an	100%	54,441	109,000	-	42,152	-
King Metropolis, Xiamen	Jimei	100%	102,427	443,000	143,704	112,327	204,908
Haicang Dream Town, Xiamen	Haicang	40%	189,752	517,690	167,755	-	517,690
King Metropolis, Changsha	Yuhua	60%	238,066	585,091	79,410	122,199	79,410
The Paradiso, Changsha	Furong	100%	120,208	363,369	43,613	-	249,127
City Garden, Changsha	Yuelu	80%	39,339	157,214	-	62,981	-
The Dream Town, Changsha	Kaifu	70%	204,010	560,543	49,136	-	49,136
Zitai, Changsha	Tianxin	70%	99,770	168,422	55,836	-	168,422
Golden Paradise, Changsha	Yuelu	78%	43,737	128,026	116,869	-	128,026
Junjie Project, Changsha	Yuelu	58%	41,712	179,346	123,123	-	179,346
Gaozheng Project, Changsha	Yuhua	60%	40,360	169,797	-	-	169,797
Jinyu Rongjun (金城榕郡), Fuzhou	Jinan	100%	166,736	385,988	22,226	66,061	63,249
King Metropolis, Fuzhou	Cangshan	100%	16,168	37,599	-	3,200	-
Yongtai Dream Town, Fuzhou	Yongtai	51%	392,000	556,032	136,672	-	556,032
Vanke Plaza, Fuzhou	Taijiang	100%	93,359	432,407	130,742	-	157,007
Jinyu Garden, Fuzhou	Taijiang	60%	25,397	127,129	127,129	-	127,129
The Dream Town, Putian	Lichen	80%	148,014	329,906	103,856	-	183,814
Sanya Forest Holiday Park	Sanya	65%	942,745	470,814	133,694	-	355,437
Gaozhiyuan, Sanya	Sanya	65%	387,807	349,026	0	-	337,005
Vanke Lakeside Holiday Park	Sanya	80%	260,293	301,650	150,497	54,874	301,650
Subtotal			15,237,322	28,983,214	5,634,402	2,075,063	15,407,676
Shanghai Region							
Chonggu Project, Shanghai	Qingpu	49%	116,524	145,266	-	91,619	-
Crystal Garden, Shanghai	Qingpu	100%	77,804	79,523	-	-	-
Ledu Road Project, Songjiang, Shanghai	Songjiang	33%	67,932	108,137	-	53,009	21,504
Golden Paradise, Jiaxing	Xinzhou New District	100%	166,273	282,194	-	-	149,747
Guangfulin Project, Shanghai	Songjiang	45%	130,970	104,778	-	27,082	77,998
Qinglin Jing, Shanghai	Pudong New District	100%	99,209	148,814	-	107,345	-
Wujiefang project, Shanghai	Pudong New District	100%	121,463	129,242	-	-	-
Land lot of Beiyi New City, Nantong	Gangzha	55%	99,910	218,650	-	-	101,151
Tongshan Street Project, Shanghai	Pudong	75%	58,550	182,230	-	-	129,892

	New District						
Firenze, Shanghai	Minhang	49%	296,295	285,793	-	23,147	112,611
Bingjiang Project, Shanghai	Pudong New District	100%	38,753	103,132	-	-	103,132
Blue Mountain Town, Shanghai	Pudong New District	100%	433,180	209,171	-	-	-
Golden City, Shanghai	Pudong New District	60%	405,627	809,929	-	-	513,188
Castle Tudor, Shanghai	Baoshan	100%	231,753	241,169	-	66,307	-
Juyuan project, Shanghai	Jiading	50%	90,013	180,026	29,323	-	135,402
Floral City, Shanghai	Minhang	100%	140,678	207,773	-	-	-
187 Wuzhong Road, Shanghai	Minhang	100%	61,724	145,065	-	-	-
No. 53, Qibao project, Shanghai	Minhang	100%	49,294	126,869	-	-	126,869
New City Garden, Shanghai	Minhang	51%	287,741	334,669	-	10,447	133,682
North of Land Lot No. 35, Qibao, Shanghai	Minhang	51%	39,366	69,913	-	-	69,913
Southern portion of Land Lot No. 03, Hongqiao ,Shanghai	Minhang	50%	32,170	110,462	-	-	110,462
Nimble Bay, Suzhou	Industrial District	70%	384,042	821,664	45,000	88,450	119,931
Benan Project, Suzhou	Industrial District	51%	155,673	124,538	-	-	-
Foyer Dore, Suzhou	Canglang	100%	134,771	242,588	-	-	-
Changfeng Villa, Suzhou	Canglang	49%	48,713	48,693	-	-	-
Vanke International Plaza, Suzhou	Industrial District	51%	47,177	117,936	-	-	-
Vanke New Metropolis, Suzhou	Suzhou New District	55%	89,098	83,220	39,374	24,534	55,076
Golden Milestone project, Suzhou	Jinchang	49%	99,093	247,732	41,291	-	160,593
Quemeibin Project, Mudu Town, Suzhou	Wuzhong District	55%	144,535	361,338	110,000	-	361,338
Kunshan Golf Project	Bacheng Town	100%	433,916	328,678	-	-	316,926
Glamorous City, Wuxi	Binhu	60%	960,000	1,346,963	65,601	142,958	304,328
Golden Paradise, Wuxi	New District	100%	224,376	620,713	129,427	56,757	342,314
The Paradiso, Wuxi	Binhu	100%	154,468	431,592	29,040	55,356	271,435
Xincheng Road, Wuxi	Binhu	100%	154,119	385,299	54,539	-	262,971
Liangzhu New Town, Hangzhou	Yuhang	100%	3,095,310	2,183,173	137,290	171,761	1,224,378
West Spring Butterfly Garden, Hangzhou	Xihu	51%	155,838	354,038	-	88,317	-
Golden Home, Hangzhou	Fuyang	55%	55,576	110,834	-	-	-
Hangzhou, Gongwang (杭州公望)	Fuyang	100%	517,900	208,981	-	-	121,026
Caozhuang, Hangzhou	Jianggan	100%	37,178	86,938	52,644	34,294	52,644
Jinse Caozhuang, Hangzhou (杭州金色草庄)	Jianggan	50%	68,564	150,841	-	-	150,841
Fuyang Golf Land Lot A, Hangzhou	Fuyang	20%	69,941	104,912	-	-	104,912
Fuyang Golf Land Lot B, Hangzhou	Fuyang	20%	69,989	83,987	-	-	83,987
Fuyang Golf Land Lot C, Hangzhou	Fuyang	20%	68,244	68,244	-	-	68,244
Fuyang Golf Land Lot D, Hangzhou	Fuyang	20%	59,933	59,933	-	-	59,933
Anpin Street, Nanjing	Baixia	100%	27,325	20,340	-	-	17,340
The Paradiso, Nanjing	Jiangning	100%	272,298	544,612	49,296	16,373	217,957
Golden Milestone (金色里程), Nanjing	Yuehua	100%	42,318	82,341	-	-	-
Golden Domain, Nanjing(南京金色领域)	Qixia	100%	91,751	201,388	30,883	-	109,267
Yanshan Avenue Land Lot, Nanjing	Pukou District	100%	62,300	100,000	80,000	-	100,000
Glamorous City, Zhenjiang	Tanshan Road	100%	795,100	942,820	85,023	104,133	426,006
Blue Mountain, Zhenjiang	Runzhou	60%	285,683	416,285	20,028	30,952	333,981
Golden Town, Ningbo	Yinzhou	100%	190,369	313,602	-	-	-

Yunluwan (云鹭湾), Ningbo	Jiangbei	15%	314,200	393,740	63,385	75,367	280,077
Golden City, Ningbo	Yinzhou	100%	95,242	171,435	-	77,527	-
Dream Town, Ningbo	Zhenhai	49%	226,777	488,148	138,557	-	350,770
Golden Mingjun, Hefei	Shushan	50%	107,326	401,670	-	105,585	-
King Metropolis, Hefei	Shushan	50%	115,628	412,101	-	97,248	208,991
Dream Town, Hefei	Binhu	55%	107,220	376,857	189,104	-	373,662
Qingshan Lake, Nanchang	Qingshan Lake	50%	97,061	133,693	-	47,736	-
Dew Garden, Nanchang	Qingyunpu	50%	97,109	144,011	-	6,521	-
The Paradiso, Nanchang	Xihu	50%	21,818	75,338	-	-	-
Tianxiang Garden, Nanchang	Gaoxin	33%	299,845	417,362	60,000	-	348,880
Longwan Project, Wenzhou	Longwan	60%	125,219	179,768	89,344	-	89,344
Dream Town, Wuhu	Dongxin District	100%	274,404	493,926	198,940	4,786	342,597
Dream Town, Yangzhou	Hanjiang District	65%	297,139	313,970	99,290	-	241,103
Total			14,219,815	19,419,047	1,837,379	1,607,611	9,286,403
Beijing Region							
Ruyuan, Beijing	Haidian	49%	138,644	279,937	48,429	-	248,837
Park No. 5, Beijing	Chaoyang	60%	37,917	97,044	-	17,345	-
Beijing Hills	Chaoyang	100%	55,885	147,249	-	62,690	19,059
The Metropolis, Beijing	Chaoyang	50%	5,329	42,556	-	-	-
Changyang Project, Beijing	Fangshan	50%	437,179	853,165	45,242	202,487	430,505
Changyang No. 3 Project, Beijing	Fangshan	50%	78,325	157,992	30,000	-	136,627
Xingfuhui, Beijing	Fangshan	68%	71,912	137,808	9,000	28,837	79,171
New Milestone, Beijing	Fangshan	50%	77,834	146,002	11,333	28,102	79,119
Jinyu Vanke City, Beijing	Changping	49%	178,908	543,461	-	138,888	69,027
King Metropolis, Beijing	Changping	50%	206,007	577,188	88,182	152,575	367,978
Holiday Town, Beijing	Fengtai	50%	224,289	413,304	-	1,337	-
Hongshi Jiayuan (红狮家园), Beijing	Fengtai	100%	59,800	184,502	-	8,414	-
King Metropolis, Tangshan	Lubei	60%	78,977	197,442	66,219	-	66,219
Stratford, Tangshan	Lunan	100%	153,527	96,661	-	73,082	-
Qinhuangdao Holiday Town	Haigang	48%	270,549	642,357	72,859	-	400,559
Phase II Guogongzhuang, Beijing	Fengtai	100%	14,449	36,123	36,123	-	36,123
Phase V Guogongzhuang, Beijing	Fengtai	50%	233,209	629,170	-	-	629,170
Golden Paradise, Beijing	Fangshan	50%	67,682	156,536	84,999	-	156,536
Castle Tudor, Beijing	Daxing	50%	67,650	172,825	50,000	-	172,825
Waterfront, Tianjin	Dongli	100%	2,708,886	1,763,059	131,463	121,288	895,496
A Glamorous City, Tianjin	Dongli	100%	176,773	258,579	4,945	68,968	4,945
New Milestone, Tianjin	Dongli	51%	136,524	204,786	-	105,427	-
Holiday Dew Garden, Tianjin	Xiqing	100%	229,300	343,101	14,787	-	14,787
Jin'ao International, Tianjin	Xiqing	100%	58,577	162,566	-	69,486	-
Binhai Modern, Tianjin	Development District	100%	6,538	40,312	-	-	-
Park Residence, Tianjin	Development District	100%	32,270	48,731	22,493	25,421	22,493
Harbor (海港城), Tianjin	Binhai New District	51%	149,483	373,691	27,747	97,415	147,416
Jinlu (锦庐), Tianjin	Binhai New District	95%	90,604	126,600	-	45,046	66,018
East Coast, Tianjin	Binhai New District	51%	255,000	382,500	81,502	-	382,500
Jinse Yazhu (金色雅筑), Tianjin	Dongli	49%	90,792	171,281	-	126,496	-
Shilinyuan, Tianjin	Jinnan	40%	63,582	114,474	9,901	-	9,901

New Elm Mansion, Shenyang	Hunnan New District	100%	182,139	289,647	-	-	-
Dream Town, Shenyang	Heping	49%	361,320	874,752	104,740	115,763	104,913
Rancho Santa Fe, Shenyang	Dongling	100%	387,700	132,784	-	-	-
A Glamorous City, Shenyang	Yuhong	100%	156,817	297,026	-	44,559	-
The Paradiso, Shenyang	Hunnan New District	100%	226,356	615,688	35,717	50,714	201,203
Jiyu International(金城国际), Shenyang	Tiexi	100%	27,249	108,581	-	1,442	-
Park Residence, Shenyang	Shenhe	55%	83,227	291,295	-	98,543	174,512
Whistler, Shenyang	Dongling	70%	315,362	378,434	-	-	334,719
Shenyang Hills	Dadong	60%	74,527	222,520	-	127,908	1,604
Shenyang Long Mansion (沈阳朗园)	Tiexi	70%	66,547	180,363	27,000	-	80,401
Shenyang Dew Garden	Tiexi	100%	40,971	102,013	-	-	102,013
Lakeside Grand View, Shenyang	Yuhong	49%	190,156	360,715	8,000	13,585	220,700
2A, Lakeside Grand View, Shenyang	Yuhong	51%	135,464	286,165	-	-	286,165
Mid Town, Shenyang	Shenhe	79%	81,378	431,232	61,128	54,732	348,609
Rotterdam , Shenyang	Changbai Heping	100%	120,333	360,999	-	-	257,986
Shenyang Tomorrow City	Hunnan New District	65%	199,319	597,957	-	-	382,139
The Paradiso, Fushun	Development District	100%	135,079	391,100	-	25,014	236,935
Whistler Project, Anshan	Tiedong	100%	303,700	414,816	-	118,357	153,656
Golden Home, Anshan	Tiedong	100%	48,874	97,969	-	-	-
Dream Town, Anshan	Gaoxin	100%	167,664	393,838	-	51,992	77,025
Whistler East Project, Anshan	Tiedong	100%	118,500	296,250	-	-	296,250
Phase II of South Lake Project, Fushan	Development District	100%	91,500	348,000	-	-	348,000
Yongle Park, Anshan	Tiexi	51%	225,715	677,000	70,633	-	677,000
Ravine Village, Dalian	Ganjingzi	55%	363,716	380,922	-	-	-
A Glamorous City, Dalian	Ganjingzi	55%	216,000	448,512	-	173,186	-
Spring Dew Mansion, Dalian	Ganjingzi	100%	118,879	229,822	99,746	-	229,822
Habor, Dalian	Puwan New District	55%	757,350	1,253,300	75,517	-	1,059,267
Xishan Project, Dalian	Ganjingzi	55%	90,404	113,308	20,412	-	113,308
Cherry Blossom Garden, Dalian	High-Tech Industrial Zone	55%	192,248	363,349	104,810	-	363,349
Yangpu Garden, Changchun	Economic Development Zone	100%	89,678	176,618	-	-	-
Waterside Villa (潭溪别墅), Changchun	Jingyue Development Zone	100%	75,000	49,019	-	-	-
Blue Mountine, Changchun	Erdao	100%	251,356	501,678	-	113,456	191,386
Whistler, Changchun	Jingyue	50%	399,715	484,714	80,813	83,629	351,756
Park Residence, Changchun	Chaoyang	100%	276,769	503,349	24,095	68,286	282,610
Dream Town, Jinlin	Gaoxin	65%	728,139	2,155,910	356,323	148,394	1,810,647
Dream Town, Changchun	Jingyue Development Zone	51%	350,965	1,056,480	81,640	-	919,368
Wonderland, Qingdao	Jimo	55%	153,284	240,507	-	92,055	-
A Glamorous City, Qingdao	Chengyang	80%	200,289	341,404	-	52,572	-
City Garden, Qingdao	Chengyang	80%	130,873	228,823	-	123,322	-
Aureate City, Qingdao	Sifang	100%	61,873	174,102	-	28,336	-
Blue Mountain, Qingdao	Shibei District	100%	68,153	202,485	56,298	77,098	60,967

Dream Town, Qingdao	Sifang	55%	154,607	399,565	127,213	114,273	213,621
Qingdao Ecological Town	Licang	100%	141,273	260,784	80,902	16,834	80,902
Qingdao Town	Jiaonan	34%	933,293	989,125	65,000	-	649,748
Jinyu Internationl, Taiyuan	Wanbolin	100%	49,407	169,679	-	-	-
Taiyuan Zitai	Yingze	51%	95,687	331,236	34,956	-	195,012
Spring Dew Mansion, Jinzhong	Yuci	51%	218,143	482,246	50,054	-	377,620
Blue Mountain, Taiyuan	Wanbolin	51%	198,392	687,671	95,742	-	687,671
Dituan Project, Yantai	Zhifu	100%	311,614	444,065	118,445	53,753	319,895
Zhonglian Logistic Project, Yantai	Fushan	70%	190,281	361,220	112,274	97,898	204,048
Subtotal			17,013,686	30,680,039	2,726,682	3,319,005	16,830,138
Chengdu Region							
A Glamorous City, Chengdu	Chenghua	60%	308,501	761,258	68,120	-	68,120
Jinyu Xiling (金域西岭), Chengdu	Jinniu	60%	79,331	361,100	-	50,083	-
Golden Domain , Chengdu	Qingyang	100%	49,628	244,459	-	71,910	-
Jinrun Huafu, Chengdu	Jingjiang	100%	52,895	267,928	-	87,132	-
Golden Hairong, Chengdu	Wuhou	49%	54,970	234,125	100,648	90,648	100,648
Haiyue Huicheng, Chengdu	Shuangliu	90%	104,307	521,698	252,913	62,400	252,913
Phase 1, Wulong Mountain, Chengdu	Xindu	100%	345,168	356,503	153,385	120,694	153,385
Vanke Diamond Plaza, Chengdu	Chenghua	100%	15,404	92,422	-	-	-
A Glamorous City, Wuhan	East Lake High-Tech Development Zone	100%	225,258	405,457	-	-	-
Element Integration(万科圆方), Wuhan	Jiangnan	55%	12,022	42,869	-	-	-
Golf City Garden, Wuhan	Dongxihu	49%	237,660	393,858	-	115,258	-
New Oriental Mansion, Wuhan	Wuchang	55%	59,790	191,300	39,634	98,763	39,634
Dream Town, Wuhan	Jiangnan	100%	65,901	299,337	-	36,996	-
Vanke Stratford, Wuhan	East Lake High-Tech Development Zone	100%	230,970	349,607	15,696	100,025	15,696
The Paradiso, Wuhan	Economic and Technological Development Zone	100%	213,440	533,600	-	69,782	287,458
Huanzi Lake, Wuhan	Jiangnan	100%	102,500	542,923	177,352	-	542,923
Tangjiadun, Wuhan	Jiangnan	50%	267,200	1,324,300	175,461	-	1,324,300
Hanyang International, Wuhan	Hanyang	100%	167,240	570,676	191,330	-	468,897
Changzheng Village Wuhan	Hongshan	100%	282,235	871,721	120,000	-	871,721
Golden City, Wuhan	Hongshan	100%	274,100	896,484	426,072	98,780	426,072
Huashan Ecological Town Project, Wuhan	Hongshan	50%	199,705	299,557	60,000	-	299,557
Chongqing Youcheng Ecological Garden	Yubei	51%	229,581	344,372	25,163	54,973	32,087
Wonder Town, Chongqing	Northern New District	100%	41,448	145,067	-	83,650	-
Palace of pleasure, Chongqing	Northern New District	100%	138,071	376,737	73,199	-	97,563
Vanke Jincheng, Chongqing	Yuzhong	100%	105,463	533,486	-	224,761	-
Dream Town, Chongqing	Northern New District	55%	278,165	647,378	174,800	-	432,159
Vega Villa, Chongqing	Jiangbei	45%	435,499	649,158	187,029	-	607,783
Xinde City, Xi'an	Yanta	100%	20,156	106,616	-	-	-
Jinyu Qujiang (金域曲江), Xi'an	Qujiang New District	55%	152,667	385,408	46,446	78,690	46,446
Dream Town, Xi'an	Chang'an	85%	176,056	614,377	124,272	95,344	243,219
Landlot No. 3, Dream Town, Xi'an	Chang'an	100%	113,231	352,803	87,140	-	264,782

King Metropolis, Xi'an	Weiyang	51%	106,667	373,634	135,353	-	373,634
Daminggong, Xi'an.	Weiyang	70%	69,052	221,603	67,266	-	221,603
King Metropolis, Guiyang	Xiaohe	51%	351,800	581,217	64,770	193,771	327,147
Nimble Bay, Guiyang (贵阳玲珑湾)	Yunyan	100%	90,456	201,012	94,272	6,804	194,208
Power Plant, Guiyang	Xiaohe	51%	181,235	761,187	102,224	-	761,187
Jinyu Tixiang, Kunming	Panlong	100%	104,724	267,084	-	156,404	-
Dew Garden, Baisha, Kunming	Panlong	100%	192,104	243,214	106,015	-	189,272
King Metropolis, Urumqi	New District	100%	53,267	146,009	-	-	29,503
Blue Mountain., Urumqi	Urumqi County	100%	32,760	14,900	8,320	-	14,900
Subtotal			6,220,627	16,526,444	3,076,880	1,896,868	8,686,817
Total			52,691,450	95,608,744	13,275,343	8,898,547	50,211,304

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;
- Significant changes in weather conditions may affect the progress of project development, which in turn affect the schedule for completion;
- Impact of other unpredictable significant events on the construction progress of projects.
- The actual completed area between 2009 and 2011 accounted for 86.7%, 87.7% and 90.4% of the schedule for completion of coresponding year, investors shall pay attention on it.

7. Fair value measurement and 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
Financial assets						
Including:						
1. Financial assets measured at fair value, and changes of which are recorded in profit and loss during the period ²	-	-	-	-	-	-
Including: Derivative financial assets	-	-	-	-	-	-
2. Available-for-sale financial assets	404,764	-	36,498	-	-	441,262
Sub-total of financial assets	404,764	-	36,498	-	-	441,262
Financial liabilities	15,055	2,869	-	-	(881)	17,042
Investment properties	-	-	-	-	-	-
Productive biological assets	-	-	-	-	-	-
Others ³	-	-	-	-	-	-
Total	-	(2,869)	36,498	-	881	-

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	Disposal during the year under review	Balance at the end of the year under review
Financial assets						
Including:						
1. Financial assets measured at fair value, and changes of which are recorded in profit and loss during the period	-	-	-	-	-	-
Including: Derivative financial assets	-	-	-	-	-	-
2. Loans and accounts receivables	-	-	-	-	-	-
3. Available-for-sale financial assets	-	-	-	-	-	-
4. Held-to-maturity investment	-	-	-	-	-	-
Sub-total of financial assets		-	-	-	-	-
Financial liabilities						
	15,055	2,869	-	-	(881)	17,042

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 2011

A. On 4 March 2011, the Thirteenth 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 2010; the audited financial report for the year 2010; the special remarks on the deposit and use of proceeds raised from previous fund-raising exercises during 2010; the internal control self-assessment report for the year 2010; the proposal on profit appropriation and dividend distribution for the year 2010; the resolution regarding the reappointment of certified public accountants for the year 2011; the resolution regarding the Company's 2010 annual report and its summary; the corporate social responsibility report for the year 2010; the resolution regarding the election of directors of the Board; the resolution regarding the grant of authority to the Company to carry out corporate citizenship activities within specified budget; the resolution regarding cooperation with CRC; the resolution regarding the convention of the 2010 Annual General Meeting; and the resolution regarding appointment of executive vice president. The related announcement was published in China Securities Journal, Securities Times, Shanghai Securities News and irasia.com, Hong Kong, respectively, on 8 March 2011.

B. On 31 March 2011, the First Meeting of the Sixteenth Board was held to consider and approve the following resolutions: election of Wang Shi as the chairman and Qiao Shibo as deputy chairman respectively of the sixteenth session of the Board; election of Paul Chan Mo Po, Jiang Wei and Qi Daqing as members of the audit committee of the sixteenth session of the Board, and independent Director Paul Chan Mo Po as the convener of this committee; election of Zhang Liping, Jiang Wei and Xiao Li as members of the investment and decision-making committee of the sixteenth session of the Board, and independent director Zhang Liping as the convener of this committee; election of Qi Daqing, Zhang Liping and Sun Jianyi as members of the remuneration and nomination committee of the sixteenth session of the Board, and independent director Qi Daqing as the convener of this committee; re-appointment of Yu Liang as the president of the Company. The related announcement was published in China Securities Journal, Securities Times, Shanghai Securities News and irasia.com, Hong Kong, respectively, on 1 April 2011.

C. On 18 April 2011, the Second Meeting of the Sixteenth Board was held to consider and approve the Company's first quarterly report and financial statements for the year 2011, and the resolution regarding matters in relation to the granting of stock options under the A-share Stock Option Incentive Scheme. The related announcement was published in China Securities Journal, Securities Times, Shanghai Securities News and irasia.com, Hong Kong, respectively, on 20 April 2011.

D. On 5 August 2011, the Third Meeting of the Sixteenth Board was held to consider and approve the following resolutions: the interim report, financial statements and the summary of the interim report for the year 2011; and the resolution regarding the proposal on no profit appropriation or transfer of surplus reserve to share capital for the 2011 interim period. The related announcement was published in China Securities Journal, Securities Times, Shanghai Securities News, Securities Daily and irasia.com, Hong Kong, respectively, on 9 August 2011.

E. On 21 October 2011, the Fourth Meeting of the Sixteenth Board was held to consider and approve the third quarterly report and financial statements for the year 2011. The related announcement was published in China Securities Journal, Securities Times, Shanghai Securities News, Securities Daily and irasia.com, Hong Kong, respectively, on 25 October 2011.

(2) In 2011, the Board conducted 8 votings by correspondence

A. On 28 January 2011, the resolutions regarding accepting Xu Hongge's resignation as executive vice president and nomination of Du Jing as executive vice president were submitted for the Board's approval through voting by correspondence.

B. On 18 March 2011, the resolution regarding the amendments to the A-Share Stock Option Incentive Scheme and the resolution regarding the convention of the first extraordinary general meeting in 2011 were submitted for the Board's approval through voting by correspondence.

C. On 29 April 2011, the resolution regarding participation in Tianjin Xinhua Road Project was submitted for the Board's approval through voting by correspondence.

D. On 13 May 2011, the resolution regarding the adjustment of exercise price of the A-Share stock options was submitted for the Board's approval through voting by correspondence.

E. On 16 June 2011, the resolution regarding a counter guarantee provided by Wanhui Company to Nanjing Branch of Minsheng Bank for a loan for Nanjing Shangfang Affordable Housing Project, the resolution regarding a guarantee provided for an equity transfer of Bujibaotong Company and the resolution regarding a guarantee provided by Beijing Vanke for a loan for Tangshan Fenghuang New City Project were submitted for the Board's approval through voting by correspondence.

F. On 1 September 2011, the resolution regarding a guarantee provided by Tianjin Vanke for a loan for Changchun Blue Mountain Project was submitted for the Board's approval through voting by correspondence.

G. On 1 November 2011, the resolution regarding a guarantee provided by Shanghai Vanke for Shanghai Langda's assignment of debt of Shanghai Jingyuan was submitted for the Board's approval through voting by correspondence.

H. On 12 December 2011, the resolution regarding application for a loan of RMB1 billion from China Resources SZITIC Trust 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, Securities Daily and irasia.com, Hong Kong, respectively, on 29 January 2011, 23 March 2011, 21 May 2011, 29 July 2011, 29 September 2011 and 16 December 2011.

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

A. The implementation of the proposal on dividend distribution for the year 2010

Following the resolutions passed at the 2010 (23rd) Annual General Meeting, the Board had proceeded with the implementation of the proposal on dividend distribution for 2010. The dividend distribution proposal for 2010 is

as follows: Based on the total share capital of the Company at the close of market on the record date, for every 10 existing shares held, a cash dividend of RMB1.0 (including tax; after deducting tax, a cash dividend of RMB0.9 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 RMB0.9 would be paid for every 10 existing shares beneficially held by individual shareholders and 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 26 May 2011 and 27 May 2011 respectively. The last trading date, ex-dividend date and record date for B share were 26 May 2011, 27 May 2011 and 31 May 2011 respectively. The exchange rate for B share's cash dividend was HK\$1 = RMB0.8424, 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 (1 April 2011) after the approval of the dividend distribution proposal at the Company's annual general meeting.

B. Implementation of the A-Share Stock Option Incentive Scheme

The first extraordinary general meeting of the Company in 2011 was held and approved the A-Share Stock Option Incentive Scheme of China Vanke Co., Ltd. (Revised Draft). Following the resolutions passed at the Company's first extraordinary general meeting in 2011, on 18 April 2011, the Board considered and approved the resolution regarding matters in relation to the granting of stock options under the A-share Stock Option Incentive Scheme, confirming that the conditions for granting stock options under the A-share Stock Option Incentive Scheme had been fulfilled and determined 25 April 2011 as the date of grant of stock options. On 9 May 2011, the registration of the grant of stock options under the A-Share Stock Option Incentive Scheme was completed. The Company granted an aggregate of 108,435,000 stock options to 810 beneficiaries. The abbreviation of the stock options granted under the Scheme is VankeJLC1, and the stock option code is 037015.

On 27 May 2011 the Company implemented the proposal on dividend distribution for the year 2010. A cash dividend of RMB1.0 (including tax) would be paid to all the shareholders on the basis of every 10 existing shares held. Pursuant to the resolution regarding granting the Board the authority to handle matters relating to the Company's Stock Option Incentive Scheme approved by the first extraordinary general meeting in 2011, the Board resolved to make corresponding adjustment to the exercise price of the A-share stock options. The exercise price after adjustment is RMB8.79.

C. Execution of the Cooperation with CRH

The Company's first extraordinary general meeting in 2011 authorised the Board to determine, within an amount of RMB4.42 billion (i.e. not exceeding 10% of the Company's audited net assets for the year 2010), cooperation with China Resources (Holdings) Co., Ltd and its connected companies (collectively "CRH"), including on entering into a loan agreement with Zhuhai City Commercial Bank Co., Ltd., using the funds under China Resources SZITIC Trust Co., Ltd. and Harvest Capital Partners Limited, and joint investment with China Resources SZITIC Trust Co., Ltd. and Harvest Capital Partners Limited. The authorisation is valid for a period of one year commencing from the date of passing of the relevant resolution in the first extraordinary general meeting.

During the year under review, the Board agreed, pursuant to the relevant authority granted, that the Company applied for a trust loan of RMB1 billion from China Resources SZITIC Trust Co., Ltd. for the development of the Shanghai Wujiefang Project. The term of the loan is two years, with an annual fixed interest rate of 11.2 per cent. The execution of the said loan will provide support to the development of the Company's relevant project and will help expedite the operating efficiency of the project. The cooperation and related decision-making procedures comply with the relevant requirements and are in the interests of the listed company and shareholders as a whole.

(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 four audit committee meetings and communication meetings and conducted four 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, execution of standardization of internal control, guarantee issues, etc.. The audit committee also communicated with the auditors several times.

The audit committee actively performed its audit duties in 2011. Since the end of the year under review, the audit committee held two more work-related meetings and communication meetings, supervised the auditors to strictly follow the audit schedule, reviewed the financial statements and provided feedback. It also resolved on the appointment of auditors, internal control self-assessment report, and dividend distribution.

The audit committee concluded the audit performed by KPMG Huazhen Certified Public Accountants in 2011 as follows:

1. Preparation before auditing

i. Determination of audit schedule

It took six months from internal control auditing, which commenced at the beginning of September 2011, up till the completion of auditing for the 2011 audit. Details of the work schedule are as follows:

- 1) September to October 2011: Internal control audit. KPMG selected certain key subsidiaries and newly established companies according to the Group's internal control guidelines to conduct internal control audit.;
- 2) November to December 2011: Pre-audit. KPMG selected key cities to perform pre-audit according to the level of importance and newly added projects in 2011;
- 3) 9 January 2012: KPMG started to perform their annual audit in China Vanke's office. On 6 March, the first draft of the 2011 Auditor's Report was presented to the audit committee for review; and the Auditor's Report was presented on 9 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 9 January 2012, KPMG sent five different teams (for Guangshen Region, Shanghai Region, Beijing Region, Chengdu Region 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 in writing and requested KPMG to arrange its audit work according to the audit work schedule, in order to ensure that the audit completed on time.

On 6 March 2012, KPMG submitted to the audit committee the 2011 Auditors' Report and Internal Control Audit Report. On 9 March 2012, the Board meeting approved the reports and the audit performed by KPMG for the Company's 2011 audit completed.

3. Audit results

KPMG has issued its unqualified opinion for the 2011 Auditors' Report and Internal Control Audit Report.

The audit committee is of the opinion that the audit performance of KPMG Huazhen Certified Public Accountants on the Company's 2011 financial statements is satisfactory.

The audit committee resolved to propose to the Board for approval the reappointment of KPMG Huazhen Certified Public Accountants to audit the Company's 2012 financial statements according to the PRC and international accounting standards, and to prepare 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 four meetings. The committee discussed and reviewed the amendments to the A-share stock option incentive plan, the granting of stock options, amendments to the economic profit bonus proposal, the election of a new board of directors, changes in

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 paid close attention to the Board's authorization of project development and financing, and maintained regular contact with the management, thereby having full understanding of the various business activities carried out within the scope of authority granted.

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 2011 according to the PRC Accounting Standards for Business Enterprises are as follows:

Unit: RMB

	The Group	The Company
Profit available for appropriation after Taxation	21,995,638,556.48	4,520,604,785.31
Include: Net profit for 2011	9,624,875,268.23	4,372,887,322.93
Profit available for appropriation at the beginning of the year	13,470,284,310.05	1,247,238,484.18
Allocation of dividend for 2010	(1,099,521,021.80)	(1,099,521,021.80)

Note: The significant difference between the profit of the Company and the 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 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 submitted to the shareholders meeting the following profit appropriation proposal for the year 2011:

1. to appropriate 10 per cent of the net profit of the Company to statutory surplus reserve;
2. to appropriate 60 per cent of the net profit of the Company to discretionary surplus reserve;
3. to appropriate 30 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 2011 is as follows:

Unit: RMB

	The Company	As a percentage of the Company's net profit for the year	As a percentage of the Group's consolidated net profit for the year
Net profit of 2011	4,372,887,322.93	100%	45.43%
Transfer to statutory surplus reserve	437,288,732.29	10%	4.54%
Transfer to discretionary surplus reserve	2,623,732,393.76	60%	27.26%
Transfer to 2011 dividend distribution fund	1,311,866,196.88	30%	13.63%
Profit available for appropriation at the beginning of the year	147,717,462.38	-	-
Distribution of cash dividend for 2011	1,429,377,328.34	32.69%	14.85%
Retained profit for appropriation for the following financial year	30,206,330.92	-	-

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

Unit: RMB

Year	Cash dividend (before tax)	The Company's net profit	The Group's consolidated net profit	As a percentage of the Company's net	As a percentage of the Group's consolidated net	The Group's consolidated profit available for
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				profit	profit	appropriation for the year
2010	1,099,521,021.80	3,083,108,153.24	7,283,127,039.15	35.66%	15.10%	15,321,861,067.94
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
Accumulated cash dividends in the past 3 years as a percentage to the average the Group's consolidated net profit in the past three yea					43.59%	

The Company insisted on cash dividends distribution policy, maintaining an amount of cash dividends stably accounted for 15% of consolidated net profit of the Company every year.

Dividend distribution proposal: A cash dividend of RMB1.3 (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 2011, the total amount of cash dividends for distribution for 2011 will be RMB1,429,377,328.34.

10. Selected Media for Disclosure of Information

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

IX. Report of Supervisory Committee

In 2011, the Supervisory Committee continued to perform 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.

1. Supervisory Committee Meetings and Resolutions of Such Meetings

In 2011, a total of four meetings were held by the Supervisory Committee. The details of the meetings and resolutions are as follows:

(1) The Fifth Meeting of the Seventh Supervisory Committee was held on 4 March 2011. The meeting considered and approved the resolution regarding the appropriation and write-off of the provision for diminution in asset value for the year 2010; the audited financial report for the year 2010; the special remarks on the deposit and use of the proceeds raised from previous fund-raising exercises during 2010; the internal control self-assessment report for the year 2010; the proposal on profit appropriation and dividend distribution for the year 2010; the resolution regarding the reappointment of certified public accountants for the year 2011; the report of the Supervisory Committee for the year 2010; the 2010 annual report and its summary; the social responsibility report for the year 2010; the resolution regarding granting authority to the Company to undertake corporate citizenship related works within a certain amount of expenses and the resolution regarding the convention of the 2010 Annual General Meeting.

(2) The Sixth Meeting of the Seventh Supervisory Committee was held on 18 April 2011. The meeting considered and approved the Company's 2011 first quarterly report and financial statements; the resolution regarding matters in relation to the granting of stock options under the A-share Stock Option Incentive Scheme, and the resolution regarding the implementation proposal of regulating internal control of the Company.

(3) The Seventh Meeting of the Seventh Supervisory Committee was held on 5 August 2011. The meeting considered and approved the resolution regarding the Company's 2011 interim report, its summary and financial statements; the resolution regarding the proposals of no dividend distribution and no transfer of capital surplus reserve to share capital for the 2011 interim period.

(4) The Eighth Meeting of the Seventh Supervisory Committee was held on 21 October 2011. The meeting considered and approved the Company's 2010 third quarterly report and its financial statements.

2. Inspection Tours by the Supervisory Committee

With the Company's continued growth in 2011, management became increasingly complex. While leveraging the Company's internal control system, the Supervisory Committee stepped up efforts to inspect the Company's

operations. During the year under review, the Supervisory Committee, through on-site inspection, meetings, seminars, inspected and supervised the management, financial situation and the risk control of core business of front-line companies, implementation of the Company's development strategy, and protection of employees' interests.

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

(1) Statutory compliance: During the year, members of the Supervisory Committee continued to supervise the Company's operations through attending Board meetings, reviewing various reports, on-site inspection and meeting with staff. With reference to various regulations, the Supervisory Committee was of the opinion that the Company's decision-making process was lawful, there was a wide range of internal control measures and there was further improvement in the corporate governance structure. 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 and shareholders' interests. The Supervisory Committee had reviewed the Company's internal control self-assessment report for the year 2011 and was of the view that the report reflected the actual situation of the Company's corporate governance and internal control in an objective manner and agreed to announce the relevant report.

(2) Financial monitoring: During the year under review, the Supervisory Committee actively performed its duty of monitoring the Company's financial situation, including inspecting the Company's guarantees and investments and providing audited opinions to each regular report. The Supervisory Committee was of the opinion that the Company's 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 continued to inspect the deposit and use of the remaining proceeds raised from the subsequent offer of A shares in 2007. The Supervisory Committee was of the opinion that the management and use of the proceeds had complied with regulations.

(4) Stock incentive plan: In 2011, the Supervisory Committee oversaw the amendment and implementation of the Company's A-share Stock Option Incentive Scheme. It was of the view that the preparation and approval procedures of the Stock Option Incentive Scheme, as well as the granting of the stock options had complied with regulations. The Supervisory Committee had verified the list of beneficiaries of the A-share Stock Option Incentive Scheme and was of the opinion that the qualifications of the beneficiaries were legal and effective.

(5) Major asset acquisitions and disposals: During the year, the Company did not have any major asset acquisitions and disposals.

(6) Connected transactions: The Company's first extraordinary general meeting in 2011 authorised the Board to determine, within an amount of RMB4.42 billion, entering into a loan agreement with Zhuhai City Commercial Bank Co., Ltd., using the funds under China Resources SZITIC Trust Co., Ltd. and Harvest Capital Partners Limited, and joint investment with China Resources SZITIC Trust Co., Ltd. and Harvest Capital Partners Limited. In December 2011, the Board agreed, pursuant to the relevant authority granted, that the Company applied for a trust loan of RMB1 billion, with a fixed annual interest rate, from China Resources SZITIC Trust Co., Ltd. to satisfy the development needs of the Company's Shanghai Wujiefang Project. The term of the loan is two years, with an annual interest rate of 11.2 per cent. The Supervisory Committee had reviewed the said transaction and was of the opinion that the cost of the loan had been determined with reference to the prevailing market price level and the characteristics of the project, that the terms of the transaction were fair, that the related decision-making procedures were in compliance with the relevant requirements of the Company Law, Securities Law, Rules Governing Listing of Stocks on Shenzhen Stock Exchange and the Articles of Association of the Company, and that the transaction did not prejudice the interests of other shareholders. Apart from the aforementioned, the Company did not have any other connected transaction.

(7) As the State tightened its control of the property industry in 2011, companies were faced with a more challenging operating environment. The Company adhered to its business strategies, and actively responded by adopting effective measures. As such, the Company achieved satisfactory operating results.

In the face of continued industry adjustments in 2012, the Company will encounter greater challenges. All the members of the Supervisory Committee will continue to carry out their duties diligently, perform supervision with due diligence, contribute to the Company's development and 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's first extraordinary general meeting in 2011 authorised the Board to determine, within an amount of RMB4.42 billion (i.e. not exceeding 10% of the Company's audited net assets for the year 2010), cooperation with China Resources (Holdings) Co., Ltd and its connected companies (collectively "CRH"), including on entering into a loan agreement with Zhuhai City Commercial Bank Co., Ltd., using the funds under China Resources SZITIC Trust Co., Ltd. and Harvest Capital Partners Limited, and joint investment with China Resources SZITIC Trust Co., Ltd. and Harvest Capital Partners Limited. The authorisation is valid for a period of one year commencing from the date of passing of the relevant resolution in the first extraordinary general meeting.

The cooperation will fully leverage CRH's financial strengths and platform, which will be beneficial to the Company to broaden its financing channels, strengthen its ability to avert risk, accelerate its development, enhance return on assets, and create synergies to achieve a win-win situation.

In December 2011, the Board agreed, pursuant to the relevant authority granted, that the Company applied for a trust loan of RMB1 billion from China Resources SZITIC Trust Co., Ltd. for the development of the Shanghai Wujiefang Project. The term of the loan is two years, with an annual fixed interest rate of 11.2 per cent. The cost of the loan had been determined with reference to the prevailing market price level and the characteristics of the project, and was not higher than the cost of trust loan taken out by the Company from an independent third party during the period.

The execution of the said loan will provide support to the development of the Company's relevant project and will help expedite the operating efficiency of the project. The cooperation and related decision-making procedures comply with the relevant requirements and are in the interests of the listed company and shareholders as a whole.

4. A-share Stock Option Incentive Scheme

(1) Relevant procedures and commencement of the implementation of the A-Share Stock Option Incentive

The twelfth meeting of the fifteenth session of the Board of the Company on 21 October 2010 approved the A-Share Stock Option Incentive Scheme of China Vanke Co., Ltd. (Draft). The scheme had been filed with China Securities Regulatory Commission. After revisions by the Company, the A-Share Stock Option Incentive Scheme (Revised Draft) (the "Scheme") was submitted to the Board and was approved through voting by correspondence on 18 March 2011. China Securities Regulatory Commission has no objection to the Scheme. On 8 April 2011, the first extraordinary general meeting of the Company in 2011 was held and approved the A-Share Stock Option Incentive Scheme of China Vanke Co., Ltd. (Revised Draft). Implementation of the Scheme thus commenced.

The A-Share Stock Option Incentive Scheme uses stock option as an incentive instrument. Each stock option confers the right to purchase one A-share of China Vanke at the exercise price within the exercise period under the A-Share Stock Option Incentive Scheme. When the Company and the beneficiaries of the Scheme fulfil the conditions for granting the options, the Company will grant stock options to the beneficiaries according to the Scheme. No stock options should be exercised during the vesting period, which is one year from the grant date. Thereafter, the granted stock options can be exercisable in three exercise periods. 40% of the options granted shall be exercisable during the first exercise period, another 30% and the remaining 30% shall be exercisable in the second and third exercise periods respectively. The right to exercise the stock options in each corresponding exercise period is subject to the fulfilment of the vesting conditions by the Company and the beneficiaries of the Scheme. The stock options will lapse if they fail to vest because the performance targets are not achieved and if they are not exercised even after the expiry of the exercise periods.

The schedule for exercising the stock options is as follows:

Stage	Schedule	Percentage of options exercisable
First exercise period	A period commencing from the first trading day after a 12-month period commencing from the grant date up to the last trading day of the 36th month from the grant date of the Scheme	40%
Second exercise period	A period commencing from the first trading day after a 24-month period commencing from the grant date up to the last trading day of the 48th month from the grant date of the Scheme	30%
Third exercise period	A period commencing from the first trading day after a 36-month period commencing from the grant date up to the last trading day of the 60th month from the grant date of the Scheme	30%

(2) Options granted under the A-Share Stock Option Incentive Scheme

The second meeting of the sixteenth session of the Board of the Company held on 18 April 2011 approved the resolution regarding matters in relation to the granting of stock options under the A-share Stock Option Incentive Scheme. The meeting confirmed that the conditions for granting stock options under the A-share Stock Option Incentive Scheme had been fulfilled and determined 25 April 2011 as the date of grant of stock options. The seventh Supervisory Committee of the Company had verified and given its opinion on the list of beneficiaries of the Scheme.

On 9 May 2011, the registration of the grant of stock options under the A-Share Stock Option Incentive Scheme of China Vanke Co., Ltd. was completed. The Company granted an aggregate of 108,435,000 stock options to 810 beneficiaries. The maximum number of shares that may be issued upon the exercise in full of all the granted stock options in future represent 0.9862 per cent of the Company's current total issued share capital.

The abbreviation of the stock options granted under the Scheme is VankeJLC1, and the stock option code is 037015.

(3) Adjustment of exercise price of stock options and the implementation procedures for the A-Share Stock Options Incentive Scheme during the reporting period

The initial exercise price of the stock options under the A-Share Stock Options Incentive Scheme was RMB8.89, which was subject to adjustment according to the relevant requirements of the Scheme should distribution of dividends, transfer of capital surplus reserve to share capital or other conditions occur within the validity period of stock options.

On 27 May 2011 the Company implemented the proposal on dividend distribution for the year 2010. A cash dividend of RMB1.0 (including tax) would be paid to all the shareholders on the basis of every 10 existing shares held. Pursuant to the resolution regarding granting the Board the authority to handle matters relating to the Company's Stock Option Incentive Scheme approved by the first extraordinary general meeting in 2011, the Board resolved to make corresponding adjustment to the exercise price of the A-share stock options. The exercise price after adjustment is RMB8.79.

(4) Impact of implementation of the A-Share Stock Option Incentive Scheme on the financial position and operating results in the period under review and subsequent years

The introduction of the Stock Option Incentive Scheme will complement the Company's incentive instruments with a long-term plan, while establishing a check-and-balance mechanism between shareholders and professional management team through linking up their interests. The Scheme will further improve the Company's corporate governance structure and strengthen the Company's competitiveness.

Accounting treatments for the A-Share Stock Option Incentive Scheme as equity-settled share-based payment are carried out in accordance with the "Accounting Standard for Business Enterprises No. 11 – Share-based payment". On each balance sheet date within the vesting period, the Company shall included, based on the best estimate of the number of vested stock options, the services obtained from the beneficiaries during the period in the costs and expenses as well as in the capital surplus reserves at the fair value of the stock options on the grant

date. During the exercise period of the stock options, the Company shall make no adjustment to the relevant costs, expenses or the capital surplus reserves which have been recognised. On each balance sheet date, based on the actual number of options exercised, the capital surplus reserves recognised shall be settled.

A-Share Stock Option Incentive Scheme adopts Binomial option pricing model to estimate the fair value of the stock options on the grant date. According to the assessment results, the fair value of the stock options in the first exercise period is RMB88,790,000, the fair value of the stock options in the second exercise period is RMB94,280,000, while the fair value of the stock options in the third exercise period is RMB110,980,000.

During the reporting period, according to the straight-line method, the cost of stock options of RMB1,06,236,000 amortised by the Company for the first, second and third exercise periods was included in the costs and expenses, while the Company's capital surplus reserves increased by RMB1,06,236,000. Please refer to the notes to the financial statements for details on the accounting treatments.

For details, please refer to the announcements published on China Securities Journal, Securities Times, Shanghai Securities News and www.cninfo.com.cn on 25 October 2010, 23 March 2011, 9 April 2011, 20 April 2011, 10 May 2011 and 21 May 2011.

5. Major Contracts and Their Implementation

(1) During the reporting period, the Company was not subject to any material entrustment, sub-contracting or leasing arrangements involving assets of other companies, nor were any other companies entitled to any entrustment, sub-contracting or leasing arrangements involving assets of the Company.

(3) Details on the new guarantees made by the Company during the reporting period 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	Note
1	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Dongguan Xinwan Real Estate Development Co., Ltd. (51%)	RMB25.5 million	Provided a guarantee in proportion to the Company's equity holding for a bank loan of RMB50 million	From 12 January 2011 to 12 January 2013	
2	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Dongguan Xinwan Real Estate Development Co., Ltd. (51%)	RMB51 million	Provided a guarantee in proportion to the Company's equity holding for a bank loan of RMB100 million	From 12 January 2011 to 12 January 2013	
3	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Dongguan Xinwan Real Estate Development Co., Ltd. (51%)	RMB102 million	Provided a guarantee in proportion to the Company's equity holding for a bank loan of RMB200 million	From 22 March 2011 to 22 March 2013	
4	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Shenzhen Haixuan Investment Development Co., Ltd. (100%)	RMB130 million	Provided a guarantee for a bank loan of RMB130 million	From 31 March 2011 to 6 December 2011	Withdrawn
5	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Shanghai Vanke Real Estate Co., Ltd. (100%)	RMB700 million	Provided a guarantee for a loan of RMB700 million	From 24 March 2011 to 24 September 2013	
6	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Shanghai Vanke Real Estate Co., Ltd. (100%)	RMB700 million	Provided a guarantee for a loan of RMB700 million	From 2 April 2011 to 2 October 2013	
7	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Wuxi Ding'an Real Estate Co., Ltd. (100%)	RMB1 billion	Provided a guarantee for a loan of RMB1 billion	From 11 April 2011 to 11 April 2013	
8	Shenzhen Vanke Real Estate Co., Ltd. (100%); Shanghai Vanke Real Estate Co., Ltd. (100%)	Wuhan Vanke Real Estate Co., Ltd. (100%)	RMB1.5 billion	Provided a guarantee for a loan of RMB1.5 billion	From 29 April 2011 to 29 April 2013	
9	Dongguan Vanke Real Estate Co., Ltd. (100%)	Dongguan Chang'an Vanke Real Estate Co., Ltd. (100%)	RMB300 million	Provided a guarantee for a loan of RMB300 million	From 11 May 2011 to 10 May 2013	

10	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Ningbo Vanke Real Estate Development Co., Ltd. (100%)	RMB600 million	Provided a guarantee for a loan of RMB600 million	From 12 May 2011 to 12 November 2012	
11	Changchun Wanrun Real Estate Development Co., Ltd. (100%)	Changchun Vanke Xizhigu Real Estate Development Co., Ltd. (50%)	RMB75 million	Provided a guarantee in proportion to the Company's equity holding for a bank loan of RMB150 million	From 3 June 2011 to 3 June 2014	
12	Beijing Vanke Company Limited (100%)	Beijing Zhuzong Vanke Real Estate Development Co., Ltd. (50%)	RMB500 million	Provided a guarantee in proportion to the Company's equity holding for a loan of RMB1 billion	From 20 May 2011 to 19 May 2013	
13	Nanjing Vanke Property Co., Ltd. (100%)	Nanjing Wanhui Property Co., Ltd. (100%)	RMB50 million	Provided a guarantee for a loan of RMB50 million	From 26 May 2011 to 25 July 2011	Withdrawn
14	Nanjing Vanke Property Co., Ltd. (100%)	Nanjing Wanhui Property Co., Ltd. (100%)	RMB100 million	Provided a guarantee for a loan of RMB100 million	From 4 November 2011 to 10 February 2012	
15	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Hangzhou Liangzhu New Town Development Company Limited (100%)	RMB1.2 billion	Provided a guarantee for a loan of RMB1.2 billion	From 14 June 2011 to 14 June 2013	
16	Nanjing Wanhui Property Co., Ltd. (100%)	De facto -- Nanjing Wanhui Property Co., Ltd. (100%)	RMB320 million	Provided a counter guarantee for the Nanjing Branch of China Minsheng Banking Corp., Ltd. for a loan of RMB320 million	From 12 July 2011 to 11 July 2013	
17	Xiamen Vanke Real Estate Co., Ltd. (100%)	De facto -- Xiamen Wanfute Real Estate Development Co., Ltd. (30%)	RMB4,235,600	Provided a counter guarantee in proportion to the Company's equity holding for Engineering Construction Corporation of Xiamen Special Economic Zone for a letter of guarantee of RMB14 million	From 30 June 2011 to 13 July 2012	Withdrawn
18	Xiamen Vanke Real Estate Co., Ltd. (100%)	De facto -- Xiamen Wanfute Real Estate Development Co., Ltd. (30%)	RMB4,235,600	Provided a counter guarantee in proportion to the Company's equity holding for Engineering Construction Corporation of Xiamen Special Economic Zone for a letter of guarantee of RMB14 million	From 4 August 2011 to 17 August 2012	
19	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Hangzhou Linlu Real Estate Development Co., Ltd. (100%)	RMB803 million	Provided a guarantee for a loan of RMB803 million	From 27 July 2011 to 27 July 2013	
20	Shenyang Vanke Real Estate Co., Ltd. (100%)	Shenyang Zhongtie Vanke Langyu Property Company Limited (51%)	RMB51 million	Provided a guarantee in proportion to the Company's equity holding for a bank loan of RMB100 million	From 25 August 2011 to 7 August 2014	
21	Shenyang Vanke Real Estate Co., Ltd. (100%)	Shenyang Zhongtie Vanke Langyu Property Company Limited (51%)	RMB10.2 million	Provided a guarantee in proportion to the Company's equity holding for a bank loan of RMB20 million	From 1 September 2011 to 7 August 2014	
22	Shenyang Vanke Real Estate Co., Ltd. (100%)	Shenyang Zhongtie Vanke Langyu Property Company Limited (51%)	RMB25.5 million	Provided a guarantee in proportion to the Company's equity holding for a bank loan of RMB50 million	From 30 November 2011 to 7 August 2014	
23	Shenyang Vanke Real Estate Co., Ltd. (100%)	Shenyang Zhongtie Vanke Langyu Property Company Limited (51%)	RMB25.5 million	Provided a guarantee in proportion to the Company's equity holding for a bank loan of RMB50 million	From 31 December 2011 to 7 August 2014	
24	Tianjin Vanke Real Estate Co., Ltd. (100%)	Changchun Vanke Jingcheng Real Estate Development Co., Ltd. (10%)	RMB250 million	Provided a guarantee for a bank loan of RMB250 million	From 27 September 2011 to 22 August 2014	

25	Tianjin Vanke Real Estate Co., Ltd. (100%)	Changchun Vanke Jingcheng Real Estate Development Co., Ltd. (10%)	RMB50 million	Provided a guarantee for a bank loan of RMB50 million	From 19 October 2011 to 22 August 2014
26	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Shenzhen Vanke Hengda Property Co., Ltd. (100%)	RMB354.82 million	Provided a guarantee for a loan of RMB354.82 million	From 29 September 2011 to 29 March 2013
27	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Shenzhen Vanke Hengda Property Co., Ltd. (100%)	RMB145 million	Provided a guarantee for a loan of RMB145 million	From 21 November 2011 to 29 March 2013
28	Vanke Properties (Hong Kong) Co., Ltd. (100%)	Yaojing Co., Ltd. (100%)	RMB238,727,900	Provided a guarantee for a bank loan of US\$37.8 million	From 10 August 2011 to 10 February 2015
29	Vanke Properties (Hong Kong) Co., Ltd. (100%)	Puhai Co., Ltd. (100%)	RMB277,367,600	Provided a guarantee for a bank loan of US\$43.92 million	From 8 December 2010 to 8 December 2013
30	Shanghai Vanke Real Estate Co., Ltd. (100%)	Shanghai Langda Industry Co., Limited (100%); Shanghai Jingyuan Property Company Limited (45%)	RMB560 million	Provided a guarantee for a loan of RMB560 million	From 16 November 2011 to 16 November 2015
31	Nanjing Vanke Property Co., Ltd. (100%); Shanghai Vanke Real Estate Co., Ltd. (100%)	Nanjing Paradiso Property Co., Ltd. (100%)	RMB691.2 million	Provided a guarantee for a trust loan and a trust income of RMB540 million	From 29 September 2011 to 29 September 2015
32	Shanghai Vanke Real Estate Co., Ltd. (100%)	Shanghai Jingyuan Property Development Company Limited (45%)	RMB88,170,400	Provided a guarantee in proportion to the Company's equity holding for a bank loan of RMB195,934,300	From 31 March 2011 to 30 September 2013
33	Shanghai Vanke Real Estate Co., Ltd. (100%)	Shanghai Jingyuan Property Development Company Limited (45%)	RMB4,079,600	Provided a guarantee in proportion to the Company's equity holding for a bank loan of RMB9,065,700	From 10 October 2011 to 30 September 2013
34	Shanghai Vanke Real Estate Co., Ltd. (100%)	Shanghai Jingyuan Property Development Company Limited (45%)	RMB9 million	Provided a guarantee in proportion to the Company's equity holding for a bank loan of RMB20 million	From 2 November 2011 to 30 September 2013
35	Shanghai Vanke Real Estate Co., Ltd. (100%)	Shanghai Jingyuan Property Development Company Limited (45%)	RMB6.3 million	Provided a guarantee in proportion to the Company's equity holding for a bank loan of RMB14 million	From 10 November 2011 to 30 September 2013
36	Shanghai Vanke Real Estate Co., Ltd. (100%)	Shanghai Jingyuan Property Development Company Limited (45%)	RMB7.65 million	Provided a guarantee in proportion to the Company's equity holding for a bank loan of RMB17 million	From 6 December 2011 to 30 September 2013
37	Shanghai Vanke Real Estate Co., Ltd. (100%)	Shanghai Jingyuan Property Development Company Limited (45%)	RMB2.25 million	Provided a guarantee in proportion to the Company's equity holding for a bank loan of RMB5 million	From 27 December 2011 to 30 September 2013

During the year under review, the new amount of guarantees (including counter guarantees) made by the Company and its majority-owned subsidiaries was RMB10,962 million, and the amount of guarantees withdrawn was RMB490 million. As at the end of the year under review, the outstanding amount of guarantees made by the Company was RMB13,685 million, accounting for 25.84 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 RMB12,035 million, the outstanding amount of guarantees made by the Company and its majority-owned subsidiaries for associated and joint venture companies was RMB1,650 million.

During the year under review, the Company did not provide guarantee for shareholders, beneficial controller and its connected parties.

(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 provided 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 had been 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 2011, the Company maintained close contact with its investors. During the year, the Company received around 620 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, e-mail and the Internet, the Company communicated with and gathered opinions from investors, disseminated information about the Company, maintained trust between the Company and its investors.

In 2011, the Company received the awards for Outstanding Investor Relations by An A-Share Listed Company in China and the Best Investor Relations by a CEO in China from IR Global Rankings. The Company also received the Golden Bull Award for Built to Last Companies and Investors’ Most Trusted Company Award from China Securities Journal. The Company’s secretary to the Board received the title of Golden Secretary to the Board and was named Institutional Investors’ Most Popular Secretary to the Board by “New Fortune”, and was named as the Golden Secretary to the Board of Listed Companies at the 2010 Best Investor Relations jointly organised by hexun.com, Stock Exchange Executive Council (“SEEC”) of the PRC; the Top 100 Secretaries to the Boards of Main Board Listed Companies in China by Securities Times, the Best Secretary to the Board of Main Board Listed Companies in China by Moneyweek, the Most Innovative Secretary to the Board by Dongshihui etc.

Details on the Company’s investor meetings in 2011:

Type of meeting	Date	Location	Approach	Classification of visitors	Issues discussed and information provided
Deutsche Bank meeting	2011.1	Beijing	Face to Face	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
UBS meeting	2011.1	Shanghai	Face to Face	Investors including securities companies, funds, etc	
Annual results presentation	2011.3	Hong Kong, Shenzhen (Shanghai, Beijing)	Face to Face	Investors including securities companies, funds, individual investors, etc	
CLSA meeting	2011.3	Hong Kong	Face to Face	Investors including securities companies, funds, etc	
Credit Suisse	2011.3	Hong Kong	Face to	Investors including securities companies, funds,	

Securities meeting			Face	etc	changes in the industry. (II) Major information provided: Published information including the Company's regular reports.
BNP meeting	2011.3	Hong Kong	Face to Face	Investors including securities companies, funds, etc	
Qilu Securities meeting	2011.3	Shenzhen	Face to Face	Investors including securities companies, funds, etc	
Credit Suisse Securities meeting	2011.3	Hong Kong	Face to Face	Investors including securities companies, funds, etc	
Essence Securities meeting	2011.4	Beijing	Face to Face	Investors including securities companies, funds, etc	
Macquarie meeting	2011.5	Hong Kong	Face to Face	Investors including securities companies, funds, etc	
CLSA meeting	2011.5	Beijing	Face to Face	Investors including securities companies, funds, etc	
Morgan Stanley meeting	2011.5	Hong Kong	Face to Face	Investors including securities companies, funds, etc	
Goldman Sachs Gaohua meeting	2011.5	Shenzhen	Face to Face	Investors including securities companies, funds, etc	
Mirae Asset Securities meeting	2011.5	Hong Kong	Face to Face	Investors including securities companies, funds, etc	
JP Morgan meeting	2011.6	Beijing	Face to Face	Investors including securities companies, funds, etc	
CLSA meeting	2011.6	Hong Kong	Face to Face	Investors including securities companies, funds, etc	
Guosen Securities meeting	2011.6	Shanghai	Face to Face	Investors including securities companies, funds, etc	
Huatai United Securities meeting	2011.6	Shanghai	Face to Face	Investors including securities companies, funds, etc	
Nomura Securities meeting	2011.6	Singapore	Face to Face	Investors including securities companies, funds, etc	
Sinolink Securities meeting	2011.6	Sanya	Face to Face	Investors including securities companies, funds, etc	
Ping An Securities meeting	2011.6	Shenzhen	Face to Face	Investors including securities companies, funds, etc	
Credit Suisse Securities meeting	2011.6	Chongqing	Face to Face	Investors including securities companies, funds, etc	
UBS meeting	2011.6	Qingdao	Face to Face	Investors including securities companies, funds, etc	
Essence Securities meeting	2011.6	Shanghai	Face to Face	Investors including securities companies, funds, etc	
CITIC Securities meeting	2011.7	Chengdu	Face to Face	Investors including securities companies, funds, etc	
Hongyuan Securities meeting	2011.7	Shenzhen	Face to Face	Investors including securities companies, funds, etc	
Qilu Securities meeting	2011.7	Qingdao	Face to Face	Investors including securities companies, funds, etc	
Huatai United Securities meeting	2011.7	Shenzhen	Face to Face	Investors including securities companies, funds, etc	
CITIC Securities meeting	2011.7	Shenzhen	Face to Face	Investors including securities companies, funds, etc	
Interim results presentation	2011.8	Hong Kong, Shenzhen (Shanghai, Beijing)	Face to Face	Investors including securities companies, funds, individual investors, etc	
Credit Suisse Securities meeting	2011.8	Hong Kong	Face to Face	Investors including securities companies, funds, etc	
BNP meeting	2011.8	Hong Kong	Face to Face	Investors including securities companies, funds, etc	
Guotai Junan	2011.8	Shenzhen	Face to	Investors including securities companies, funds,	

meeting			Face	etc
CLSA meeting	2011.9	Hong Kong	Face to Face	Investors including securities companies, funds, etc
UBS meeting	2011.9	Hong Kong	Face to Face	Investors including securities companies, funds, etc
HSBC meeting	2011.10	Hong Kong	Face to Face	Investors including securities companies, funds, etc
BNP meeting	2011.10	Qingdao	Face to Face	Investors including securities companies, funds, etc
Goldman Sachs Gaohua meeting	2011.10	Beijing	Face to Face	Investors including securities companies, funds, etc
Samsung Securities meeting	2011.10	Hong Kong	Face to Face	Investors including securities companies, funds, etc
Merrill Lynch meeting	2011.11	Beijing	Face to Face	Investors including securities companies, funds, etc
Morgan Stanley meeting	2011.11	Singapore	Face to Face	Investors including securities companies, funds, etc
CICC meeting	2011.11	Beijing	Face to Face	Investors including securities companies, funds, etc
Jefferies meeting	2011.11	Hong Kong	Face to Face	Investors including securities companies, funds, etc
Changjiang Securities meeting	2011.11	Shanghai	Face to Face	Investors including securities companies, funds, etc
Guotai Junan meeting	2011.11	Shanghai	Face to Face	Investors including securities companies, funds, etc
Huatai United Securities meeting	2011.11	Shenzhen	Face to Face	Investors including securities companies, funds, etc
Nomura Securities meeting	2011.12	Tokyo	Face to Face	Investors including securities companies, funds, etc
CLSA meeting	2011.12	Hong Kong	Face to Face	Investors including securities companies, funds, etc
HuaChuang Securities meeting	2011.12	Shenzhen	Face to Face	Investors including securities companies, funds, etc
Merrill Lynch meeting	2011.12	Hong Kong	Face to Face	Investors including securities companies, funds, etc
China Jiayin Investment Securities meeting	2011.12	Shenzhen	Face to Face	Investors including securities companies, funds, etc
CITIC Securities meeting	2011.12	Shenzhen	Face to Face	Investors including securities companies, funds, etc
Mizuho Securities meeting	2011.12	Hong Kong	Face to Face	Investors including securities companies, funds, etc
Guangfa Securities meeting	2011.12	Shenzhen	Face to Face	Investors including securities companies, funds, etc
China Merchants Securities meeting	2011.12	Shenzhen	Face to Face	Investors including securities companies, funds, etc
Essence Securities meeting	2011.12	Shenzhen	Face to Face	Investors including securities companies, funds, etc
Guosen Securities meeting	2011.12	Chongqing	Face to Face	Investors including securities companies, funds, etc
Haitong Securities meeting	2011.12	Shanghai	Face to Face	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, Zhuhai,	Small group or one-on-one	Shenjin Wanguo, CLSA, Orient Securities, Guosen Securities, Nomura Securities, CITIC Securities, Deutsche Bank, Citi, UBS, Goldman Sachs, Credit Suisse Securities, Guangfa

		Xiamen, Fuzhou, Sanya, Changsha, Shanghai, Nanjing, Wuxi, Hangzhou, Ningbo, Hefei, Nanchang, Beijing, Tianjin, Shenyang, Dalian, Anshan, Qingdao, Yantai, Wuhan, Chengdu, Chongqing, Xi'an, Kunming, Guiyang, etc.		Securities, Huatai United Securities, JP Morgan, Changjiang Securities, Haitong Securities, Yuanta Securities, Essence Securities, Merrill Lynch Securities, Goldman Sachs GaoHua, Great Wall Securities, Mitsubishi UFJ Morgan Stanley Securities, Rising Securities, BOC International, Everbright Securities, China Jianyin Investment Securities, Sinolink Securities, Qilu Securities, Samsung Securities, Dongxing Securities, Morgan Stanley, CICC, HSBC, Daiwa Securities, Macquarie, RBS, Guotai Junan, MasterLink Securities, KGI Securities, Minsheng Securities, CCB International Securities, BNP, Jefferies, Barclays Capital, Religare Capital Markets, ISI Group, DBS Vickers, Korea Investment & Securities, Keefe, Bruyette & Woods, etc.	
Funds and other investment companies and individual investors	During the year under review	Shenzhen, Guangzhou, Dongguan, Foshan, Zhuhai, Xiamen, Fuzhou, Sanya, Changsha, Shanghai, Nanjing, Wuxi, Hangzhou, Ningbo, Hefei, Nanchang, Beijing, Tianjin, Shenyang, Dalian, Anshan, Qingdao, Yantai, Wuhan, Chengdu, Chongqing, Xi'an, Kunming, Guiyang, etc.	Small group or one-on-one	Yinhua Fund, China Universal Asset Management, China AMC, Orient Fund, Pacific Assets Management, CCB Principal Asset Management, Guotai AMC, China Post Fund, Bank of Communications Schroders Fund, Changsheng Fund, Rongtong Fund, Fullgoal Fund, Wellington Asset Management, CDH Investments, China International Fund Management, Baoying Fund, Orient Securities Asset Management, Power Corporation of Canada, Southern Fund, Taikang Life, Fortis Haitong Fund, ICBC Credit Suisse Asset Management, Dacheng Fund, Hua An Fund, Guangfa Fund, Bosera Fund, Harvest Fund, Supreme Master Investment Limited, First State Investments, Franklin Templeton Investments, Nissay Asset Management Corporation, Taiping Assets Management, Bank of China Investment Management, ABN AMRO Teda Fund, China Life, Fortune SGAM Fund, Upstone assets (顶石资产), Goldman Sachs (Asia), AmericAsia Investment Association, Invesco Great Wall Fund, Baring Asset Management, First Beijing Company, LionRock Capital, Capital Research, Brevan Howard, Prudential, Adage Capital, Millennium Management LLC, SAC, Apollo, GIC, DNB Asset, Pangu Capital Ltd, Sekker and Advisors, Trivest Advisors, Value Investors Management, Clairvoyance Capital, Alliance Bernstein, GMO, Janus, Bernstein, Invesco, GENESIS, Prime Capital Management, Pacific Eagle Asset Mgmt, Chilton Investment, Blue Pool Capital, Mitsubishi UFJ, Value Partners, TIAA-CREF, Och-Ziff, Union Investment, Sumitomo Trust & Banking (Tokyo), Henderson Investment, AMP Capital, JF AM, Point State, Highbridge Capital, Broad Peak, Tiger Asia, Daiwa SB Investments, Capital World, Fidelity Investment, Heitman, Citic Securities, Taurus, Ginger Capital, Urdang, Zeal Asset Mgmt, UBS Asset Management, PGGM, GE Capital, GE Asset Management, Blackrock, Pelargos Capital B.V, Eton Park, Capital Research Global, Hyundai Asset Management, Samsung Investment Trust Management, Samsung Life Insurance, Taurus Investment Management, Woori Asset Management, GS Asset Co. , KTB Asset Management, PCA Investment Korea, Shinyoung Asset Management, Tube Asset Investment Advisory, Cosmo Investment Management, Sky Investment Advisors, Consus Asset Management, ING Investment Management Korea, LIG Insurance Co., Mirae Asset Life Insurance, Causeway Capital, RREEF, Everest Capital Limited, Lombard Odier Darier Hentsch & Cie, Yuanta Securities Investment	

				Trust Co Ltd, Absolute Partners Management Limited, Harvest Global Investments Limited, Amundi Hong Kong Limited, TB Alternative Assets Ltd, Hang Seng Investment Management Limited, Pinpoint Asset Management Company Ltd, Susquehanna Ireland Limited, Pharo Management (UK) LLP, China Life Trustees Limited, Shin Kong Investment Trust Co Ltd, Nomura Asset Management Hong Kong Ltd, Pictet Asset Management Limited, NeubergerBerman, CBRE Richard Ellis, Templeton Emerging Markets, Aizawa, Banco BBM, Moon Capital, Aeris International, J Capital Research, Lansdowne Partners Limited, UOB, LaSalle, Basic AM, Capital Dynamics, Blue Ridge Asset Management, Caxton Investment Co, Pyramis Asset Management, Armature Capital, Barclays Capital, Thornburg Investment Management, TT International, Perennial Investment Partners Limited, Dai-ichi Life Group (Janpan) , Omnix Capital Limited, Templeton Investment Counsel, Morgan Stanley Investment Management, Paradise Investment Australia, Mastholm AM, 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's issued bonds, including "08 Vanke G1" (Bond code: 112005) and "08 Vanke G2" (Bond code: 112006), was tracked and rated by China Chengxin Securities Rating Co., Ltd. (中诚信证券评估有限公司) ("China Chengxin"). The rating company continued to assign an AAA credit rating to the Company's secured corporate bonds "08 Vanke G1", and raised the rating for unsecured corporate bonds "08 Vanke G2" and the Company's corporate credit rating to AAA respectively. China Chengxin gave a stable outlook rating to the Company. During the year under review, the Company 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.

During the year under review, the Company paid the third-year interest on 08 Vanke G1 and 08 Vanke G2.

According to the "The Circular of China Vanke Co., Ltd. on Corporate Bonds Public Offering" published on 2 September 2008, the Company has the right to determine whether or not to raise the coupon rate of the unsecured corporate bonds (short name "08 Vanke G2") issued by the Company in 2008 at the end of the third year of the bond duration, with the upward adjustments in the range of 1 to 100 basis points (including the number itself). The annual coupon rate of the unsecured bonds is the annual coupon rate of 7.00% for the first three years of the bond duration plus the basis points for upward adjustments, and will remain unchanged for the two years after the bond duration. Investors have the right to sell back all or part of the "08 Vanke G2" bonds held by them at the face value to the Company on the day they receive the third interest payment during the bond duration of "08 Vanke G2".

On 22 August 2011, the Company published the "Announcement regarding matters in relation to coupon rate of and investors' option to sell back 08 Vanke G2", and published notices on 25 August, 29 August respectively. Investors could choose to sell back all or part of the "08 Vanke G2" bonds held by them at the price of RMB100/bond to the Company on the sellback registration day (29 August 2011).

According to the statistics from the Shenzhen office of China Securities Depository & Clearing Corporation Limited, the number of "08 Vanke G2" bonds sold back to the Company was 0 and the amount paid for bonds sold back to the Company was 0.

10. Other investments

10.1 Investment of securities

No.

10.2 Equity interests held in other listed companies

RMB'000

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
600751	SST Tianjin Marine Shipping Co., Ltd.	143.6	0.04%	143.6	-	-
Total		143.6	-	143.6		

Note: Equity interests held in SST Tianjin Marine Shipping Co., Ltd are legal person shares held by the Company over the years. Up till now, it has not undergone share reform.

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 term and amount of the foreign currency loan, IRS limits 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(2,868,565.33). The value of the IRS was determined based on the fair value assessed on 31 December 2011
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 had 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 2011
Interest rate swap (IRS) agreement	1,249,109.4	3,079,879.9	(2,868.6)	5.81%
Total	1,249,109.4	3,079,879.9	(2,868.6)	5.81%

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 2010 Annual General Meeting resolved to confirm the appointment of KPMG Huazhen Certified Public Accountants as the Company's auditors for the year 2011. The following table shows the details on the appointment of the certified public accountants of the Company:

Audited item	2011		Year of service	2010	
	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	RMB8,500,000.00	11 years	KPMG Huazhen Certified Public Accountants	RMB7,350,000.00
The Group's consolidated financial statements prepared in accordance with the IFRS			19 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 2011

On 31 March 2011, the Company convened the 2010 Annual General Meeting, during which the sixteenth session of the Board was elected.

On 8 April 2011, the Company's first extraordinary general meeting in 2011 approved the Company's A-share Stock Option Incentive Scheme

On 27 June 2011, in the presence of Chinese Premier and UK Prime Minister, the Company and UK-based Building Research Establishment (BRE) signed a Memorandum of Understanding (MoU) for collaboration on a green construction park in Beijing, through which the most advanced European green building techniques would be introduced into China.

29 August 2011 was the registration date for the sellback of the unsecured corporate bonds "08 Vanke G2" issued by the Company. No investors opted for sellback.

On 23 September 2011, which is the 27th anniversary day of China Vanke, the Company applied to the Secretary-General of the United Nations to become a "United Nations Global Compact Participant". In October, the Company's application was accepted and thus became the first PRC property developer to be a "United Nations Global Compact Participant".

XII. Financial Report

China Vanke Co., Ltd.
万科企业股份有限公司

31 December 2011

Independent auditor's 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 "the Group"), which comprise the consolidated statement of financial position as at 31 December 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's 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 issued by the International Auditing and Assurance Standards Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

**Independent auditor's 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)*

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

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 2011 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
9 March 2012

Consolidated income statement for the year ended 31 December 2011 (Expressed in Renminbi Yuan)

	<i>Note</i>	2011 RMB'000	2010 RMB'000
Revenue	4(a)	67,709,396	47,763,550
Cost of sales		(43,249,418)	(29,528,521)
Gross profit		24,459,978	18,235,029
Other revenue	5	820,643	787,638
Other net income	6	138,306	410,591
Distribution costs		(2,556,775)	(2,079,093)
Administrative expenses		(2,666,722)	(1,881,498)
Other operating expenses	7	(97,004)	(95,864)
Profit from operations		20,098,426	15,376,803
Finance costs	8(a)	(1,252,354)	(1,125,639)
Share of profits less losses of associates	14	397,783	135,391
Share of profits less losses of jointly controlled entities	15	246,205	156,312
Profit before taxation		19,490,060	14,542,867
Income tax	9(a)	(7,890,454)	(5,703,256)
Profit for the year		11,599,606	8,839,611
Attributable to:			
Equity shareholders of the Company		9,624,875	7,283,128
Non-controlling interests		1,974,731	1,556,483
Profit for the year		11,599,606	8,839,611
Basic earnings per share (RMB)	11	0.88	0.66

The accompanying notes form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 29(c).

Consolidated statement of comprehensive income for the year ended 31 December 2011 (Expressed in Renminbi Yuan)

	<i>Note</i>	2011 RMB'000	2010 RMB'000
Profit for the year		11,599,606	8,839,611
Other comprehensive income (after tax and reclassification adjustments) 10			
Exchange differences on translation of financial statements of overseas subsidiaries		155,644	113,411
Available-for-sale securities: net movement in the fair value reserve		27,373	(106,834)
		<u>183,017</u>	<u>6,577</u>
Total comprehensive income for the year		<u>11,782,623</u>	<u>8,846,188</u>
Attributable to:			
Equity shareholders of the Company		9,807,892	7,289,705
Non-controlling interests		1,974,731	1,556,483
Total comprehensive income for the year		<u>11,782,623</u>	<u>8,846,188</u>

The accompanying notes form part of these financial statements.

Consolidated statement of financial position at 31 December 2011 (Expressed in Renminbi Yuan)

	<i>Note</i>	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	12	2,777,889	2,389,977
Investment properties	13	1,126,105	129,176
Interest in associates	14	2,160,824	1,035,876
Interest in jointly controlled entities	15	4,183,142	3,374,074
Other financial assets	16	523,790	488,565
Other non-current assets	17	463,793	1,055,993
Deferred tax assets	25(b)	2,326,242	1,643,158
		13,561,785	10,116,819
Current assets			
Inventories	18	208,661,350	133,680,569
Trade and other receivables	19	40,071,647	34,370,341
Pledged deposits	20	625,403	2,719,998
Cash and cash equivalents	21	33,614,112	35,096,935
		282,972,512	205,867,843
Current liabilities			
Loans and borrowings	22	23,570,276	16,783,691
Financial derivatives	23	17,042	15,054
Trade and other payables	24	168,893,596	106,138,344
Current taxation	25(a)	8,243,247	6,713,702
		200,724,161	129,650,791
Net current assets		82,248,351	76,217,052
Total assets less current liabilities		95,810,136	86,333,871

Consolidated statement of financial position
at 31 December 2011(continued)
(Expressed in Renminbi Yuan)

	Note	2011 RMB'000	2010 RMB'000
Non-current liabilities			
Loans and borrowings	22	26,822,359	30,611,644
Deferred tax liabilities	25(c)	1,104,762	1,086,104
Provisions	26	38,678	41,107
Other non-current liabilities	27	11,798	8,816
		27,977,597	31,747,671
NET ASSETS		67,832,539	54,586,200
CAPITAL AND RESERVES			
Share capital	29	10,995,210	10,995,210
Reserves		41,972,585	33,237,467
Total equity attributable to equity shareholders of the Company		52,967,795	44,232,677
Non-controlling interests		14,864,744	10,353,523
TOTAL EQUITY		67,832,539	54,586,200

Approved and authorised for issue by the board of directors on 9 March 2012.

))
))
) Directors
))
))

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

Year ended 31 December 2011

(Expressed in Renminbi Yuan)

	Note	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity	
		Share-based			Statutory reserves	Exchange reserve	Other reserves	Retained profits			
		Share capital	Share premium	compensation reserve							Total
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Balance at 1 January 2010		10,995,210	8,789,676	-	8,737,841	276,721	(231,959)	8,808,399	37,375,888	8,032,625	45,408,513
Changes in equity for 2010:											
Profit for the year		-	-	-	-	-	-	7,283,128	7,283,128	1,556,483	8,839,611
Other comprehensive income	10	-	-	-	-	113,411	(106,834)	-	6,577	-	6,577
Total comprehensive income		-	-	-	-	113,411	(106,834)	7,283,128	7,289,705	1,556,483	8,846,188
Dividends approved in respect of the previous year	29(c)	-	-	-	-	-	-	(769,665)	(769,665)	-	(769,665)
Appropriation to statutory reserves	29(b)	-	-	-	1,849,865	-	-	(1,849,865)	-	-	-
Equity settled share-based transactions		-	-	-	-	-	468,728	(1,712)	467,016	-	467,016
Capital contribution from non-controlling interests		-	-	-	-	-	-	-	-	900,024	900,024
Acquisitions of subsidiaries		-	-	-	-	-	-	-	-	1,504,670	1,504,670
Acquisitions of additional interest in subsidiaries		-	-	-	-	-	(130,267)	-	(130,267)	(305,718)	(435,985)
Disposals of subsidiaries		-	-	-	-	-	-	-	-	(318,921)	(318,921)
Dividends declared to non-controlling interests		-	-	-	-	-	-	-	-	(1,022,809)	(1,022,809)
Others		-	-	-	-	-	-	-	-	7,169	7,169
Balance at 31 December 2010		10,995,210	8,789,676	-	10,587,706	390,132	(332)	13,470,285	44,232,677	10,353,523	54,586,200

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity (continued)

Year ended 31 December 2011

(Expressed in Renminbi Yuan)

Note	Attributable to equity shareholders of the Company							Total	Non-controlling interests	Total equity
	Share capital RMB'000	Share premium RMB'000	Share-based compensation reserve RMB'000	Statutory reserves RMB'000	Exchange reserve RMB'000	Other reserves RMB'000	Retained profits RMB'000			
Balance at 1 January 2011	10,995,210	8,789,676	-	10,587,706	390,132	(332)	13,470,285	44,232,677	10,353,523	54,586,200
Changes in equity for 2011:										
Profit for the year	-	-	-	-	-	-	9,624,875	9,624,875	1,974,731	11,599,606
Other comprehensive income	-	-	-	-	155,644	27,373	-	183,017	-	183,017
Total comprehensive income	-	-	-	-	155,644	27,373	9,624,875	9,807,892	1,974,731	11,782,623
Dividends approved in respect of the previous year	-	-	-	-	-	-	(1,099,521)	(1,099,521)	-	(1,099,521)
Appropriation to statutory reserves	-	-	-	3,061,021	-	-	(3,061,021)	-	-	-
Equity settled share-based transactions	-	-	106,236	-	-	-	-	106,236	-	106,236
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	3,904,944	3,904,944
Acquisitions of subsidiaries	-	-	-	-	-	-	-	-	68,806	68,806
Acquisitions of additional interest in subsidiaries	-	-	-	-	-	(79,489)	-	(79,489)	(405,068)	(484,557)
Disposals of subsidiaries	-	-	-	-	-	-	-	-	(102,688)	(102,688)
Dividends declared to non-controlling interests	-	-	-	-	-	-	-	-	(898,844)	(898,844)
Others	-	-	-	-	-	-	-	-	(30,660)	(30,660)
Balance at 31 December 2011	<u>10,995,210</u>	<u>8,789,676</u>	<u>106,236</u>	<u>13,648,727</u>	<u>545,776</u>	<u>(52,448)</u>	<u>18,934,618</u>	<u>52,967,795</u>	<u>14,864,744</u>	<u>67,832,539</u>

Consolidated cash flow statement for the year ended 31 December 2011 (Expressed in Renminbi Yuan)

	<i>Note</i>	2011 RMB'000	2010 RMB'000
Operating activities			
Cash received from customers		103,648,873	88,119,694
Cash generated from other operating activities		6,894,668	2,976,047
Cash paid to suppliers		(84,918,244)	(66,645,895)
Cash paid to and for employees		(2,480,848)	(1,848,828)
Cash paid for other taxes		(4,979,856)	(4,557,885)
Cash used in other operating activities		(5,056,898)	(10,982,177)
Cash generated from operations		13,107,695	7,060,956
PRC Corporate Income Tax (“CIT”) paid		(6,304,556)	(3,030,581)
Land Appreciation Tax (“LAT”) paid		(3,413,715)	(1,793,120)
Net cash generated from operating activities		3,389,424	2,237,255
Investing activities			
Acquisitions of subsidiaries, net of cash acquired	34	(3,865,725)	315,779
Investment in associates and jointly controlled entities		(790,000)	(1,407,601)
Acquisitions of additional interest in subsidiaries		(405,068)	(776,247)
Acquisitions of property, plant and equipment		(261,561)	(261,939)
Net cash outflow from disposals of subsidiaries	35	(985,466)	(1,065,360)
Proceeds from disposal of property, plant and equipment		1,116	462
Proceeds from disposals of investments		207,894	282,454
Interest received		427,485	353,022
Dividends received		18,758	367,770
Net cash used in investing activities		(5,652,567)	(2,191,660)

Consolidated cash flow statement (continued)
for the year ended 31 December 2011
(Expressed in Renminbi Yuan)

	<i>Note</i>	2011 RMB'000	2010 RMB'000
Financing activities			
Contributions from non-controlling interests		3,904,944	1,979,021
Proceeds from loans and borrowings		23,574,576	27,070,091
Repayment of loans and borrowings		(19,974,613)	(11,985,375)
Dividends and interest paid		(6,698,048)	(4,039,207)
		806,859	13,024,530
Net cash generated from financing activities		806,859	13,024,530
Effect of foreign exchange rate changes		(26,539)	24,035
Net (decrease)/increase in cash and cash equivalents		(1,482,823)	13,094,160
Cash and cash equivalents at 1 January		35,096,935	22,002,775
Cash and cash equivalents at 31 December		33,614,112	35,096,935

The accompanying notes form part of these consolidated financial statements.

Notes to the consolidated financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

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 2011 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’s principal activities are development and sale of properties in the PRC.

2 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”). A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of measurement

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- financial instruments classified as available-for-sale (see note 2(f));
- derivative financial instruments are measured at fair value (see note 2(g)).

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

2 Significant accounting policies (continued)

(c) *Changes in accounting policies*

The IASB has issued a number of amendments to IFRSs and one new Interpretation that are first effective for the current accounting period of the Group.

Of these, the following developments are relevant to the Group's financial statements:

- IAS 24 (revised 2009), Related party disclosures
- Improvements to IFRSs (2010)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The impacts of the developments are discussed below:

- IAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. IAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.
- Improvements to IFRSs (2010) omnibus standard introduce a number of amendments to the disclosure requirements in IFRS 7, Financial instruments: Disclosures. The disclosures about the Group's financial instruments in note 30 have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

(d) *Subsidiaries and non-controlling interests*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

2 Significant accounting policies (continued)

(d) *Subsidiaries and non-controlling interests (continued)*

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity (see note 2(e)).

(e) *Associates and jointly controlled entities*

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

2 Significant accounting policies (continued)

(e) *Associates and jointly controlled entities (continued)*

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate or joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 2(e)).

(f) *Other investments in equity securities*

The Group's policies for investments in equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(k)).

Investments in equity securities which are not held for trading are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 2(u)(v). When these investments are derecognised or impaired (see note 2(k)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments.

2 Significant accounting policies (continued)

(g) *Derivative financial instruments*

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(h) *Investment property*

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(j)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at cost less accumulated depreciation and accumulated impairment loss. Rental income from investment properties is accounted for as described in note 2(u)(iv).

Depreciation is calculate to write off the costs of investment properties, less its residual value of 0% to 4%, if any, using the straight-line method over their estimated useful lives of 12.5 to 40 years. Both the useful life and residual value, if any, are reviewed annually.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(j)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(j).

(i) *Property, plant and equipment*

The following items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss (see note 2(k)) :

- buildings held for own use which are situated on leasehold land classified as held under operating lease (see note 2(j)); and
- other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(w)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

2 Significant accounting policies (continued)

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

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

	Residual value	Useful life
Leasehold land	0%	unexpired term of lease
Hotel and other buildings	4%	the shorter of the unexpired term of lease and 12.5-40 years
Improvements to premises	0%	5-10 years
Machinery and motor vehicles	4%	5-10 years
Other equipment	4%	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(j) *Leased assets*

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(h)) or is held for development (see note 2(l)).

2 Significant accounting policies (continued)

(k) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in associates and jointly controlled entities, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(k)(ii).
- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

2 Significant accounting policies (continued)

(k) Impairment of assets (continued)

(i) Impairment of investments in equity securities and other receivables (continued)

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

- For available-for-sale securities, the cumulative loss that has been recognised in equity is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment; and
- pre-paid interests in leasehold land classified as being held under an operating lease.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2 Significant accounting policies (continued)

(k) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(l) Inventories

(i) Construction materials

Construction materials are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the construction materials to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(ii) Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

- Property held for development and property under development

The cost of properties held for development and properties under development comprises 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 borrowing costs capitalised (see note 2(w)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

2 Significant accounting policies (continued)

(l) Inventories (continued)

(ii) Property development (continued)

- Completed property for sale

In the case of completed properties developed by the Group, 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 costs to be incurred in selling the property.

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

(m) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 2(x)(iii). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the statement of financial position as the “Gross amount due from customers for contract work” (as an asset) or the “Gross amount due to customers for contract work” (as a liability), as applicable. Progress billings not yet paid by the customer are included under “Trade debtors”. Amounts received before the related work is performed are presented as “Receipts in advance” under “Trade and other payables”.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(k)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

2 Significant accounting policies (continued)

(p) *Trade and other payables*

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(t)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(r) *Employee benefits*

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans 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.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share-based compensation reserve within equity. The fair value is measured at grant date using the Binomial model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share-based compensation reserve). The equity amount is recognised in the share-based compensation reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

2 Significant accounting policies (continued)

(s) *Income tax*

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

2 Significant accounting policies (continued)

(s) *Income tax (continued)*

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) *Financial guarantees issued, provisions and contingent liabilities*

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

2 Significant accounting policies (continued)

(t) *Financial guarantees issued, provisions and contingent liabilities (continued)*

(i) Financial guarantees issued (continued)

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(t)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable. 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 arising from the sale of properties 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 sale and purchase agreement, whichever is the later. Deposits and instalments received on properties sold prior to the date of revenue recognition are presented as “Receipts in advance” under “Trade and other payables”.

(ii) Provision of services

Revenue from services is recognised when services are rendered.

2 Significant accounting policies (continued)

(u) Revenue recognition (continued)

(iii) Contract revenue

When the outcome of a construction contract can be estimated reliably:

- revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract; and
- revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(v) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(vi) Interest income

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

(vii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

2 Significant accounting policies (continued)

(v) *Translation of foreign currencies*

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(w) *Borrowing costs*

Borrowing costs that are 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 are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

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.

2 Significant accounting policies (continued)

(x) *Related parties*

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(y) *Segments reporting*

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Critical accounting judgements in applying the Group's accounting policies

Estimates and judgements used in preparing the financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

(i) Properties for sale

As explained in note 2(1), the Group's 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 based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in provision for properties for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, 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 end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

(ii) Impairment for trade and other receivables

The Group estimates impairment losses for trade and other receivables resulting from the inability of the customers to make the required payments. The Group bases the estimates on the aging of the trade and other receivable balance, customer creditworthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual provisions would be higher than estimated.

(iii) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses and other deductible temporary differences carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

3 Critical accounting judgements in applying the Group's accounting policies (continued)

(iv) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

(v) Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management on determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development included in current assets if the properties are intended for sale after their completion, whereas, the properties are accounted for as investment properties under construction if the properties are intended to be held to earn rentals and/or for capital appreciation. Upon completion of the properties, the properties held for sale are transferred to completed properties held for sale, while the properties held to earn rentals and/or for capital appreciation are transferred to investment properties.

(vi) LAT

As explained in note 9(a), LAT 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 end of the reporting period. Any increase or decrease in estimates would affect profit or loss in future years.

4 Revenue and segment reporting

(a) Revenue

The principal activities of the Group are development and sale of properties in the PRC.

Revenue mainly represents income from sale of properties, construction contract and property management and related services earned during the year, net of business tax and other sales related taxes and discounts allowed, and is analysed as follows:

	2011 RMB'000	2010 RMB'000
Sale of properties	65,313,204	46,927,147
Construction contracts	1,324,755	193,231
Property management and related services	540,406	405,537
Others	531,031	237,635
	67,709,396	47,763,550

The Group's customer base is diversified and does not have customer with whom transactions have exceeded 10% of the Group's revenue.

(b) Segment reporting

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/Guangshen 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 the PRC. Details about the specific cities covered by each region are set out in note 4(b)(i).
- Property management: this segment provides property management and related services to purchasers and tenants of the Group's own developed residential properties and shopping arcades, as well as those developed by the external property developers. Currently the Group's activities in this regard are also carried out in the PRC.

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.

4 Turnover and segment reporting (continued)

(b) Segment reporting (continued)

(i) 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:

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, but excluding deferred tax liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales before sales tax 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.

The measure used for reporting segment profit is the profit before CIT, excluding share of profit or loss of associates or jointly controlled entities, dividend income, other income and other operating expenses, but including the provision for doubtful debts and the profit arising from the inter-segment transactions. LAT which is considered directly attributable to the sale of properties is deducted from the segment profit for the review by the Group's most senior executive management.

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

4 Turnover and segment reporting (continued)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

	<i>Real Estate Development (note(1))</i>				<i>Property management RMB'000</i>	<i>Total RMB'000</i>
	<i>Beijing region</i>	<i>Guangshen region</i>	<i>Shanghai region</i>	<i>Chengdu region</i>		
	RMB'000	RMB'000	RMB'000	RMB'000		
For the year ended 31 December 2011						
Revenue from external customers, before sales taxes	17,061,231	25,421,017	20,777,636	7,806,280	713,346	71,779,510
Inter-segment revenue	-	94,430	-	-	716,953	811,383
Reportable segment revenue, before sales taxes	<u>17,061,231</u>	<u>25,515,447</u>	<u>20,777,636</u>	<u>7,806,280</u>	<u>1,430,299</u>	<u>72,590,893</u>
Reportable segment profit	<u>3,504,472</u>	<u>6,183,992</u>	<u>4,568,294</u>	<u>1,123,944</u>	<u>98,913</u>	<u>15,479,615</u>
Interest income	416,729	107,467	195,469	99,220	4,034	822,919
Interest expense	297,224	288,527	344,288	50,280	2	980,321
Share of profits less losses of associates and jointly controlled entities (note(2))	150,291	167,151	137,932	17,696	-	473,070
Reportable segment assets	<u>88,526,568</u>	<u>100,481,838</u>	<u>80,334,997</u>	<u>48,708,614</u>	<u>1,659,635</u>	<u>319,711,652</u>
Reportable segment liabilities	<u>73,806,426</u>	<u>85,674,922</u>	<u>68,291,076</u>	<u>43,937,305</u>	<u>1,356,531</u>	<u>273,066,260</u>

4 Turnover and segment reporting (continued)

(b) *Segment reporting (continued)*

(i) Segment results, assets and liabilities (continued)

	<i>Real Estate Development (note(1))</i>				<i>Property management</i>	<i>Total</i>
	<i>Beijing region</i>	<i>Guangshen region</i>	<i>Shanghai region</i>	<i>Chengdu region</i>		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2010						
Revenue from external customers, before sales taxes	10,324,888	16,482,195	19,222,903	4,132,851	536,495	50,699,332
Inter-segment revenue	-	-	-	-	552,002	552,002
Reportable segment revenue, before sales taxes	<u>10,324,888</u>	<u>16,482,195</u>	<u>19,222,903</u>	<u>4,132,851</u>	<u>1,088,497</u>	<u>51,251,334</u>
Reportable segment profit	<u>1,969,412</u>	<u>4,345,328</u>	<u>5,393,579</u>	<u>751,640</u>	<u>125,799</u>	<u>12,585,758</u>
Interest income	297,872	90,030	137,224	53,922	2,938	581,986
Interest expense	274,297	182,362	210,000	31,513	2,319	700,491
Share of profits less losses of associates and jointly controlled entities (note(2))	17,016	(10,742)	196,203	7,194	-	209,671
Reportable segment assets	<u>53,778,086</u>	<u>52,460,610</u>	<u>47,129,625</u>	<u>30,539,924</u>	<u>1,133,295</u>	<u>185,041,540</u>
Reportable segment liabilities	<u>43,475,618</u>	<u>40,477,189</u>	<u>35,914,967</u>	<u>25,736,417</u>	<u>1,019,282</u>	<u>146,623,473</u>

4 Turnover and segment reporting (continued)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

Note (1):

Beijing region represents Beijing, Tianjin, Shenyang, Anshan, Dalian, Qingdao, Changchun, Yantai, Jilin, Taiyuan, Tangshan, Langfang, Fushun, Qinhuangdao and Jinzhong.

Guangshen region represents Shenzhen, Guangzhou, Qingyuan, Dongguan, Foshan, Zhuhai, Zhongshan, Changsha, Xiamen, Fuzhou, Huizhou, Hainan and Putian.

Shanghai region represents Shanghai, Hangzhou, Su'nan, Ningbo, Nanjing, Zhenjiang, Nanchang, Hefei, Yangzhou, Jiaxing, Wuhu and Wenzhou.

Chengdu region represents Chengdu, Wuhan, Xi'an, Chongqing, Kunming, Guiyang and Urumqi.

Note (2):

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 RMB171 million (2010: RMB 82 million).

4 Turnover and segment reporting (continued)

(b) Segment reporting (continued)

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

	2011 RMB'000	2010 RMB'000
Revenue		
Reportable segment revenue	72,590,893	51,251,334
Elimination of inter-segment revenue	(811,383)	(552,003)
Unallocated head office and corporate revenue	3,240	14,520
Sales taxes	(4,073,354)	(2,950,301)
Consolidated revenue	<u>67,709,396</u>	<u>47,763,550</u>
Profit		
Reportable segment profit	15,479,615	12,585,758
Elimination of inter-segment profit	(282,396)	(957,133)
Share of profits less losses of associates and jointly controlled entities	643,988	291,703
Dividend income	18,966	153,595
Other net income, excluding net exchange gain	108,936	388,093
Other operating expenses, excluding provision for doubtful debts	(32,377)	(24,648)
Unallocated head office and corporate expenses	(130,849)	(496,616)
LAT	3,684,177	2,602,115
Consolidated profit before taxation	<u>19,490,060</u>	<u>14,542,867</u>
Assets		
Reportable segment assets	319,711,652	185,041,540
Elimination of inter-segment receivables	(138,381,484)	(56,191,187)
Unallocated head office and corporate assets	115,204,129	87,134,309
Consolidated total assets	<u>296,534,297</u>	<u>215,984,662</u>
Liabilities		
Reportable segment liabilities	273,066,260	146,623,473
Elimination of inter-segment payables	(124,301,269)	(55,308,571)
Unallocated head office and corporate liabilities	79,936,767	70,083,561
Consolidated total liabilities	<u>228,701,758</u>	<u>161,398,463</u>

5 Other revenue

	2011 RMB'000	2010 RMB'000
Interest income	801,677	634,043
Dividend income	18,966	153,595
	820,643	787,638

6 Other net income

	2011 RMB'000	2010 RMB'000
Forfeited deposits and compensation from customers	27,777	25,074
Gain on disposals of subsidiaries	35,395	80,716
Gain on disposals of equity-accounted investees	-	127,868
Gain on disposals of other investments	881	124,048
Net gain/(loss) on disposals of property, plant and equipment	2,901	(190)
Net realised and unrealised loss on financial derivatives	(2,869)	(15,054)
Net exchange gain	29,370	22,498
Other sundry income	44,851	45,631
	138,306	410,591

7 Other operating expenses

	2011 RMB'000	2010 RMB'000
Provision for doubtful debts	64,627	71,216
Compensation to customers	11,132	2,819
Donations	5,530	14,419
Penalties	7,942	5,081
Other sundry expenses	7,773	2,329
	97,004	95,864

8 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2011 RMB'000	2010 RMB'000
Interest on interest-bearing borrowings	4,208,214	3,003,034
Less: Interest expense capitalised into inventories (note)	<u>(2,955,860)</u>	<u>(1,877,395)</u>
	<u>1,252,354</u>	<u>1,125,639</u>

Note: The borrowing costs have been capitalised at a rate of 8.6% per annum (2010: 7.6%).

(b) Staff costs

	2011 RMB'000	2010 RMB'000
Salaries, wages and other benefits	2,733,158	2,238,847
Contributions to defined contribution retirement plan	227,802	155,988
Equity-settled share-based payment expenses	<u>106,236</u>	<u>-</u>
	<u>3,067,196</u>	<u>2,394,835</u>

(c) Other items

	2011 RMB'000	2010 RMB'000
Depreciation and amortisation	137,327	116,807
Impairment loss on trade and other receivables	64,627	71,216
Reversal of write-down of inventories	-	(616,667)
Cost of inventories	41,236,819	29,629,563
Operating lease charges in respect of properties	92,461	44,545
Rental income	<u>9,766</u>	<u>4,342</u>

9 Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	2011 RMB'000	2010 RMB'000
Current tax		
Provision for CIT	4,842,351	3,513,649
Provision for LAT	3,705,432	2,673,808
Withholding tax	16,221	170
	<u>8,564,004</u>	<u>6,187,627</u>
Deferred tax		
Fair value adjustments arising from business combinations		
- CIT	(12,252)	(77,460)
- LAT	(21,255)	(71,693)
Accrual for LAT	(284,506)	(216,118)
Tax losses	(318,755)	(206,466)
Bad debt provision and write-down of inventories	(2,836)	148,553
Accruals for construction costs	(32,163)	(19,786)
Withholding tax	43,041	42,291
Other temporary differences	(44,824)	(83,692)
	<u>(673,550)</u>	<u>(484,371)</u>
	<u><u>7,890,454</u></u>	<u><u>5,703,256</u></u>

(i) CIT

The provision for CIT 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 from 24% to 25% (2010: from 22% to 25%).

According to the 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 2011 and 2010, deferred tax assets and liabilities were calculated based on the applicable income tax rates enacted by the NPC from 1 January 2008.

9 Income tax in the consolidated income statement (continued)

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

(ii) LAT

LAT 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.

(iii) Withholding tax

Withholding tax is levied on the overseas subsidiaries in respect of dividend distributions arising from profit of PRC subsidiaries earned after 1 January 2008 ranged from 5% to 10%.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2011 RMB'000	2010 RMB'000
Profit before taxation	19,490,060	14,542,867
Less: LAT	(3,684,177)	(2,602,115)
Profit before CIT	<u>15,805,883</u>	<u>11,940,752</u>
Notional tax on profit before CIT calculated at effective income tax rate of the relevant Group entities concerned	3,919,065	2,913,272
Non-taxable income	(163,254)	(102,612)
Non-deductible expenses	452,318	223,236
Effect of temporary difference not recognised	42,346	86,634
Recognition of previously unrecognised tax losses	(43,206)	(8,175)
Effect of change in tax rates on deferred tax in respect of current year temporary differences	(992)	(11,214)
CIT	4,206,277	3,101,141
LAT	<u>3,684,177</u>	<u>2,602,115</u>
Income tax expense	<u>7,890,454</u>	<u>5,703,256</u>

10 Other comprehensive income

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

	2011			2010		
	Before-tax amount RMB'000	Tax expense RMB'000 (note 25(d))	Net-of-tax amount RMB'000	Before-tax amount RMB'000	Tax benefit RMB'000 (note 25(d))	Net-of-tax amount RMB'000
Exchange differences on translation of financial statements of overseas subsidiaries	155,644	-	155,644	113,411	-	113,411
Available-for-sale securities: net movement in fair value reserve	36,497	(9,124)	27,373	(135,137)	28,303	(106,834)
Other comprehensive income	<u>192,141</u>	<u>(9,124)</u>	<u>183,017</u>	<u>(21,726)</u>	<u>28,303</u>	<u>6,577</u>

(b) Components of other comprehensive income, including reclassification adjustments

	2011 RMB'000	2010 RMB'000
Available-for sale securities:		
Changes in fair value recognised during the year	27,373	(14,297)
Reclassification adjustments for amounts transferred to profit or loss:	-	(92,537)
Net movement in the fair value reserve during the year recognised in other comprehensive income	<u>27,373</u>	<u>(106,834)</u>

11 Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB9,624,875,000 (2010: RMB7,283,127,000) and the weighted average of 10,995,210,218 (2010: 10,995,210,218) shares in issue during the year.

The Group has a share option scheme which was adopted on 25 April 2011 (see note 28). The scheme gives rise to potential A shares of the Company. The potential A shares have no diluted effect for the year ended 31 December 2011, but may have diluted effect in future years.

12 Property, plant and equipment

	<i>Hotel and other buildings held for own use</i> RMB'000	<i>Improvements to premises</i> RMB'000	<i>Leasehold land prepayment</i> RMB'000	<i>Machinery and motor vehicles</i> RMB'000	<i>Electronic and other equipment</i> RMB'000	<i>Construction in progress</i> RMB'000	<i>Total</i> RMB'000
Cost:							
At 1 January 2010	1,403,347	70,057	82,516	114,326	187,709	593,208	2,451,163
Additions	17,805	18,674	300,863	24,635	26,836	180,659	569,472
Transfer	9,585	-	-	-	-	(9,585)	-
Disposals	(128,581)	(3,758)	-	(10,973)	(11,152)	-	(154,464)
At 31 December 2010	1,302,156	84,973	383,379	127,988	203,393	764,282	2,866,171
At 1 January 2011	1,302,156	84,973	383,379	127,988	203,393	764,282	2,866,171
Additions	15,929	39,935	71,691	62,265	46,251	289,177	525,248
Transfer	347,907	-	-	-	-	(347,907)	-
Disposals	(11,873)	(5,663)	-	(12,856)	(12,565)	-	(42,957)
At 31 December 2011	1,654,119	119,245	455,070	177,397	237,079	705,552	3,348,462

12 Property, plant and equipment (continued)

	<i>Hotel and other buildings held for own use</i> RMB'000	<i>Improvements to premises</i> RMB'000	<i>Leasehold land prepayment</i> RMB'000	<i>Machinery and motor vehicles</i> RMB'000	<i>Electronic and other equipment</i> RMB'000	<i>Construction in progress</i> RMB'000	<i>Total</i> RMB'000
Accumulated depreciation:							
At 1 January 2010	166,177	31,212	550	71,180	119,573	-	388,692
Charge for the year	50,690	18,388	8,877	15,109	18,498	-	111,562
Written back on disposals	(1,793)	(3,679)	-	(8,588)	(10,000)	-	(24,060)
At 31 December 2010	<u>215,074</u>	<u>45,921</u>	<u>9,427</u>	<u>77,701</u>	<u>128,071</u>	<u>-</u>	<u>476,194</u>
At 1 January 2011	215,074	45,921	9,427	77,701	128,071	-	476,194
Charge for the year	51,204	20,505	10,169	18,055	28,779	-	128,712
Written back on disposals	(8,904)	(3,489)	-	(11,160)	(10,780)	-	(34,333)
At 31 December 2011	<u>257,374</u>	<u>62,937</u>	<u>19,596</u>	<u>84,596</u>	<u>146,070</u>	<u>-</u>	<u>570,573</u>
Net book value:							
At 31 December 2011	<u>1,396,745</u>	<u>56,308</u>	<u>435,474</u>	<u>92,801</u>	<u>91,009</u>	<u>705,552</u>	<u>2,777,889</u>
At 31 December 2010	<u>1,087,082</u>	<u>39,052</u>	<u>373,952</u>	<u>50,287</u>	<u>75,322</u>	<u>764,282</u>	<u>2,389,977</u>

13 Investment properties

	2011 RMB'000	2010 RMB'000
Cost:		
At 1 January	150,400	256,640
Addition	1,005,544	15,217
Disposals	-	(121,457)
	1,155,944	150,400
	1,155,944	150,400
Accumulated depreciation:		
At 1 January	21,224	28,497
Charge for the year	8,615	5,245
Written back on disposals	-	(12,518)
	29,839	21,224
	29,839	21,224
Net book value:		
At 31 December	1,126,105	129,176

Investment properties include those under development at the end of the reporting period with carrying amount of RMB920 million (2010: Nil).

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 RMB1,519 million (2010: RMB 147 million).

(a) The analysis of net book value of investment properties is set out as follows:

	2011 RMB'000	2010 RMB'000
In the PRC, held on leases of		
- Between 10 and 50 years	856,635	105,080
- Over 50 years	269,470	24,096
	1,126,105	129,176
	1,126,105	129,176

13 Investment properties (continued)

- (b) 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:

	2011 RMB'000	2010 RMB'000
Within 1 year	17,815	2,737
After 1 year but within 5 years	131,176	6,212
After 5 years	271,408	5,355
	420,399	14,304

14 Interest in associates

	2011 RMB'000	2010 RMB'000
Share of net assets	2,160,824	1,035,876

The following list contains only the particulars of associates, all of which are unlisted corporate entities, which principally affected the results or assets of the Group.

<i>Name of company</i>	<i>Place of incorporation and operation</i>	<i>Proportion of ownership interest</i>	<i>Principal activity</i>
		<i>Group's effective interest</i>	
Beijing Jinyu Vanke Property Development Company Limited	PRC	49%	Property development
Wuhan Golf City Gardern Real Estate Company Limited (note 1)	PRC	49%	Property development
Chengdu Yihang Vanke Binjiang Real Estate Company Limited (note 1)	PRC	49%	Property development
Hefei Yihang Vanke Real Estate Company Limited (note1, 2)	PRC	50%	Property development
Suzhou Zhonghang Vanke Changfeng Real Estate Company Limited (note 1)	PRC	49%	Property development
Changsha Oriental City Real Esteate Company Limited	PRC	20%	Property development
Foshan Shunde District Zhonghang Vanke Property Company Limited	PRC	49%	Property development
Xiamen Wantefu Property Development Company Limited	PRC	30%	Property development

14 Interest in associates (continued)

<i>Name of company</i>	<i>Place of incorporation and operation</i>	<i>Proportion of ownership interest</i>	
		<i>Group's effective interest</i>	<i>Principal activity</i>
Guangzhou Yinyejunrui Property Development Company Limited (note 1)	PRC	49%	Property development
Shanghai Jingyuan Property Development Company Limited	PRC	45%	Property development
Langfang Kuangshijiye Property Development Company Limited (note 2)	PRC	50%	Property development
Shanghai Vanke Changning Property Development Company Limited (note 1)	PRC	49%	Property development
Shanghai Chongwan Property Development Company Limited (note 1)	PRC	49%	Property development
Shenyang Zhongtie Vanke Langyu Property Development Company Limited (note 2)	PRC	51%	Property development
Chongqing Wanbin Property Development Company Limited (note 1)	PRC	45%	Property development
Suzhou Kejian Property Development Company Limited (note 1)	PRC	49%	Property development
Beijing Wuyuankesheng Property Development Company Limited	PRC	49%	Property development
Beijing Jingtouyintai Property Development Company Limited (note 2)	PRC	50%	Property development
Guangzhou Wanshang Property Development Company Limited	PRC	33%	Property development
Chongqing Zhonghang Vanke Yunling Property Development Company Limited (note 1)	PRC	45%	Property development
Chongqing Zhonghang Vanke Junjing Property Development Company Limited (note 1)	PRC	45%	Property development
Changchun Vanke Xizhigu Property Development Company Limited (note 2)	PRC	50%	Property development

Notes:

- (1) Except for the equity interest held directly, the Group also hold 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.

14 Interest in associates (continued)

Summary financial information on associates:

	<i>Assets</i>	<i>Liabilities</i>	<i>Equity</i>	<i>Revenue</i>	<i>Profit</i>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2011					
100 per cent	39,057,055	32,217,827	6,839,228	4,857,011	798,304
Group's effective interest	<u>18,011,971</u>	<u>15,851,147</u>	<u>2,160,824</u>	<u>2,374,551</u>	<u>397,783</u>
2010					
100 per cent	18,944,069	16,041,669	2,902,400	2,132,332	259,960
Group's effective interest	<u>7,936,100</u>	<u>6,900,224</u>	<u>1,035,876</u>	<u>1,032,733</u>	<u>135,391</u>

15 Interest in jointly controlled entities

	<i>2011</i>	<i>2010</i>
	RMB'000	RMB'000
Share of net assets	<u>4,183,142</u>	<u>3,374,074</u>

The following list contains only the particulars of jointly controlled entities, all of which are unlisted corporate entities, which principally affected the results or assets of the Group.

<i>Name of company</i>	<i>Place of incorporation and operation</i>	<i>Proportion of ownership interest</i>	
		<i>Group's effective interest</i>	<i>Principal activity</i>
Shanghai Jialai Real Estate Development Company Limited (note)	PRC	49%	Property development
Zhonghang Vanke Company Limited (note)	PRC	40%	Property development
Dongguan Vanke Property Company Limited	PRC	50%	Property development
Changsha Lingyu Real Estate Development Company Limited (note)	PRC	60%	Property development
Changsha Lingyu Investment Company Limited (note)	PRC	60%	Property development
Beijing Zhongliang Vanke Real Estate Development Company Limited	PRC	50%	Property development
Shanghai Anhong Real Estate Investment Company Limited (note)	PRC	65%	Property development
Tianjin Diwan Investment Company Limited (note)	PRC	40%	Property development

15 Interest in jointly controlled entities (continued)

<i>Name of company</i>	<i>Place of incorporation and operation</i>	<i>Proportion of ownership interest</i>	
		<i>Group's effective interest</i>	<i>Principal activity</i>
Hangzhou Dongshang Property Development Company Limited	PRC	50%	Property development
Beijing Wanxin Investment Development Company	PRC	50%	Investment
Zhuhai Haiyu Property Development Company Limited	PRC	50%	Property development
Tianjin Songke Real Estate Company Limited (note)	PRC	49%	Property development
Changchun Vanke Jingcheng Real Estate Development Company Limited (note)	PRC	10%	Property development
Beijing Jingtou Vanke Property Development Company Limited	PRC	50%	Property development
Fuyang Yongtong Property Development Company Limited (note)	PRC	20%	Property development
Shanghai Wanzhicheng Property Development Company Limited	PRC	50%	Property development
Shanghai Ledu Property Development Company Limited (note)	PRC	33%	Property development
Wuhan Liantou Vanke Property Development Company Limited	PRC	50%	Property development
Shandong Xiaozhushan Construction Development Company Limited	PRC	34%	Tourism property development

Notes: A contractual arrangement between the Group and the counterparty of these entities establishes joint control over the financial and operating policies of these entities.

Summary financial information on jointly controlled entities – Group's effective interest

	<i>2011</i>	<i>2010</i>
	RMB'000	RMB'000
Non-current assets	1,041,349	1,007,854
Current assets	16,108,803	11,412,163
Non-current liabilities	(1,769,198)	(1,696,033)
Current liabilities	(11,197,812)	(7,349,910)
Net assets	<u>4,183,142</u>	<u>3,374,074</u>
Income	1,801,032	736,609
Expenses	(1,554,827)	(580,297)
Profit for the year	<u>246,205</u>	<u>156,312</u>

16 Other financial assets

	2011	2010
	RMB'000	RMB'000
Available-for-sale securities in the PRC		
Equity securities		
- Unlisted	519,026	483,801
- Listed in the PRC	4,764	4,764
	523,790	488,565
	523,790	488,565

17 Other non-current assets

The other non-current assets mainly represent entrusted loans and prepayments for acquisitions of investees. The entrusted loans are interest bearing at market rate, unsecured and repayable after one year but within two years.

18 Inventories

	2011	2010
	RMB'000	RMB'000
Properties held for development	62,985,176	49,314,694
Properties under development	138,330,541	78,982,068
Completed properties for sale	7,239,386	5,290,716
Others	106,247	93,091
	208,661,350	133,680,569
	208,661,350	133,680,569

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

	2011	2010
	RMB'000	RMB'000
In the PRC, held on lease of		
- Between 10 and 50 years	13,979,928	8,117,186
- Over 50 years	120,888,196	74,120,183
	134,868,124	82,237,369
	134,868,124	82,237,369

18 Inventories (continued)

(b) *The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:*

	2011	2010
	RMB'000	RMB'000
Carrying amount of inventories sold	41,236,819	29,629,563
Reversal of write-down of inventories	-	(616,667)
	41,236,819	29,012,896

The reversal of write-down of inventories made in 2010 arose due to an increase in the estimated net realisable value of certain properties as a result of recovery in certain regional property markets.

The amount of properties held for development and properties under development expected to be recovered after more than one year is RMB109,070 million (2010: RMB44,150 million). All of the other inventories are expected to be recovered within one year.

19 Trade and other receivables

	2011	2010
	RMB'000	RMB'000
Trade debtors	1,497,916	1,409,559
Less: allowance for doubtful debts	(27,849)	(18,994)
	1,470,067	1,390,565
Other debtors (note (a))	8,286,197	8,646,952
Amounts due from associates (note (b))	6,026,183	2,497,581
Amounts due from jointly controlled entities (note (b))	4,128,234	3,793,780
Prepayments (note (c))	20,116,219	17,838,003
Gross amount due from customers		
for contract work	44,747	203,460
	40,071,647	34,370,341

All of the trade and other receivables, apart from receivables of RMB845 million (2010: RMB693 million), are expected to be recovered within one year.

19 Trade and other receivables (continued)

- (a) Included in trade and other receivables are trade debtors, all of which are neither individually nor collectively considered to be impaired as at 31 December 2011, with the following ageing analysis as of the end of the reporting period:

	2011 RMB'000	2010 RMB'000
Current	1,448,709	1,374,721
Less than 1 year past due	772	2,661
More than 1 year past due	20,586	13,183
	21,358	15,844
	1,470,067	1,390,565

The Group's credit policy is set out in note 30(a).

Trade debtors 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.

- (b) The amounts due from associates and jointly controlled entities as at 31 December 2011 include an amount of RMB5,625 million which are interest bearing at market rate, unsecured and repayable on demand. The interest income from these associates and jointly controlled entities amounted to RMB331 million in 2011. The remaining amounts due from associates and jointly controlled entities are unsecured, interest free and repayable on demand.
- (c) The balance includes prepayments for leasehold land of RMB10,366 million (2010: RMB11,962 million).
- (d) The aggregate amount of costs incurred plus recognised profits less recognised losses to date, included in the gross amount due from/to customers for contract work at 31 December 2011, is RMB1,518 million (2010: RMB193 million).

20 Pledged deposits

The balance mainly represents the guarantee deposits in respect of mortgage loans related to property sale.

21 Cash and cash equivalents

	2011 RMB'000	2010 RMB'000
Cash at bank and on hand	<u>33,614,112</u>	<u>35,096,935</u>

22 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 risk, please refer to note 30(c).

	2011 RMB'000	2010 RMB'000
Current		
Secured		
- Bank loans (note (a))	1,636,415	875,691
- Other borrowings (note (b))	<u>1,600,000</u>	<u>-</u>
	----- 3,236,415	----- 875,691
Guaranteed		
- Bank loans (note (a))	<u>-</u>	<u>600,000</u>
	-----	-----
Unsecured		
- Bank loans (note (a))	11,946,031	5,010,000
- Entrusted bank loan from a jointly controlled entity	-	98,000
- Other borrowings (note (b))	<u>8,387,830</u>	<u>10,200,000</u>
	----- 20,333,861	----- 15,308,000
	<u>23,570,276</u>	<u>16,783,691</u>

22 Loans and borrowings (continued)

	2011	2010
	RMB'000	RMB'000
Non-current		
Secured		
- Bank loans (note (a))	4,635,821	4,926,230
- Other borrowings (note (b))	3,062,067	-
- Corporate bonds (note (c))	2,960,450	2,937,122
	10,658,338	7,863,352
Guaranteed		
- Other borrowings (note (b))	320,000	1,600,000
	320,000	1,600,000
Unsecured		
- Bank loans (note (a))	8,324,630	11,746,440
- Other borrowings (note (b))	4,629,444	6,517,830
- Corporate bonds (note (c))	2,889,947	2,884,022
	15,844,021	21,148,292
	26,822,359	30,611,644

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

	2011	2010
	RMB'000	RMB'000
After 1 year but within 2 years	19,865,824	19,850,291
After 2 years but within 5 years	6,956,535	10,761,353
	26,822,359	30,611,644
	26,822,359	30,611,644

Notes:

(a) Bank loans

The secured bank loans are secured over certain properties held for development and properties under development with aggregate carrying value of RMB3,469 million (2010: RMB 1,076 million) or pledged by the shares of interest in certain subsidiaries of the Group.

22 Loans and borrowings (continued)

(b) Other borrowings

	<i>2011</i>	<i>2010</i>
	RMB'000	RMB'000
Current		
Proceeds	9,987,830	10,200,000
Non-current		
Proceeds	8,071,886	8,117,830
Transaction costs	(60,375)	-
	8,011,511	8,117,830

The secured other borrowings are pledged by the shares of interest in certain subsidiaries of the Group.

The guaranteed other borrowings are guaranteed by third party with nil consideration.

(c) Corporate bonds

	<i>2011</i>	
	<i>No.101688 Bonds</i>	<i>No.101699 Bonds</i>
	RMB'000	RMB'000
At 1 January	2,884,022	2,937,122
Transaction costs amortised	5,925	23,328
At 31 December	2,889,947	2,960,450
	<i>2010</i>	
	<i>No.101688 Bonds</i>	<i>No.101699 Bonds</i>
	RMB'000	RMB'000
At 1 January	2,878,508	2,915,228
Transaction costs amortised	5,514	21,894
At 31 December	2,884,022	2,937,122

22 Loans and borrowings (continued)

(c) 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 interest bearing at 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 maximum of 100 basis 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 arrears on 6 September 2012 and 2013. None of the No. 101688 Bonds were early redeemed by the bondholders on 6 September 2011.

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 5.5% per annum payable in arrears on 6 September 2009, 2010, 2011, 2012 and 2013.

23 Financial derivatives

	2011 RMB'000	2010 RMB'000
Interest rate swaps	<u>17,042</u>	<u>15,054</u>

24 Trade and other payables

	2011 RMB'000	2010 RMB'000
Trade creditors and bills payable	29,777,063	16,923,778
Other payables and accruals	24,464,680	12,660,984
Amounts due to associates	869,836	680,123
Amounts due to jointly controlled entities	2,680,299	1,468,262
Receipts in advance	111,075,180	74,405,197
Gross amount due to customers for contract work (note 19(d))	26,538	-
	168,893,596	106,138,344

Included in trade and other payables is retention payable of RMB300 million (2010: RMB262 million) which are expected to be settled after one year.

The amounts due to associates and jointly controlled entities include an amount of RMB1,230 million which are interest bearing at market rate, unsecured and repayable on demand. The interest expenses to these associates and jointly controlled entities amounted to RMB64 million in 2011. The remaining amounts due to associates and jointly controlled entities are unsecured, interest free and repayable on demand.

25 Income tax in the statement of financial position

(a) Current taxation in the statement of financial position represents:

	2011 RMB'000	2010 RMB'000
CIT	2,423,046	1,677,498
LAT	5,820,201	5,036,204
	8,243,247	6,713,702

LAT 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 Group 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 LAT, the provisions have been recorded as current liabilities as at 31 December 2011 and 2010.

25 Income tax in the statement of financial position (continued)

(b) *Deferred tax assets*

Deferred tax assets are attributable to the items set out below:

	2011 RMB'000	2010 RMB'000
Tax losses	815,046	496,291
Bad debt provision and write-down of inventories	28,265	25,429
Accruals for construction costs	197,070	164,907
Accrual for LAT	1,076,034	791,528
Other temporary differences	209,827	165,003
	<u>2,326,242</u>	<u>1,643,158</u>

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

	2011 RMB'000	2010 RMB'000
Tax losses	778,467	913,361
Deductible temporary differences	80,653	80,904
	<u>859,120</u>	<u>994,265</u>

The tax losses expire between 2012 and 2016. The deductible temporary differences will not expire the 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.

(c) *Deferred tax liabilities*

Deferred tax liabilities are attributable to the items set out below:

	2011 RMB'000	2010 RMB'000
Fair value adjustments on available-for-sale securities	9,124	-
Fair value adjustments arising from business combinations	1,010,306	1,043,813
Others	85,332	42,291
	<u>1,104,762</u>	<u>1,086,104</u>

25 Income tax in the statement of financial position (continued)

(d) Movements in deferred taxation, net:

	2011 RMB'000	2010 RMB'000
At 1 January	557,054	44,380
Net credit to profit or loss (note 9(a))	673,550	484,371
Net (charge)/credit to other comprehensive income (note 10(a))	(9,124)	28,303
At 31 December	<u>1,221,480</u>	<u>557,054</u>

26 Provisions

	2011 RMB'000	2010 RMB'000
Balance at 1 January	41,107	34,356
Provisions made during the year	16,272	14,351
Provisions used during the year	(18,701)	(7,600)
Balance at 31 December	<u>38,678</u>	<u>41,107</u>

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

27 Other non-current liabilities

The balance mainly represents the amounts that hold on behalf of the owners committees in the property management sector.

28 Equity settled share-based transactions

The Group has a share option scheme which was adopted on 25 April 2011 whereby the senior management and key staff of the Group are granted certain options at nil consideration to subscribe for an aggregate of 110,000,000 A shares of the Company. The key management are granted with 33,000,000 A shares. 40% of the options vest after one year (30% after two years and the remaining 30% after three years) from the date of grant and are then exercisable within a period of two years. Each option gives the holder the right to subscribe for one A share of the Company.

(a) *The number and weighted average exercise prices of share options are as follows:*

	<i>2011</i> <i>Number</i> <i>'000</i>
Outstanding at the beginning of the year	-
Granted during the year	110,000
Forfeited during the year	(8,632)
	101,368
Outstanding at the end of the year	101,368
Exercisable at the end of the year	-

No share options were exercised during the year.

(b) *Terms of unexpired and unexercised share options at the end of the reporting period:*

	<i>Exercise price*</i> <i>RMB</i>	<i>2011</i> <i>Number</i> <i>'000</i>
25 April 2012 to 24 April 2014	8.79	40,548
25 April 2013 to 24 April 2015	8.79	30,410
25 April 2014 to 22 April 2016	8.79	30,410
		101,368

* The original exercise price is RMB8.89. The exercise price was adjusted to RMB8.79 after declaration of dividend of RMB0.10 per share during the year in accordance with the terms and conditions of the share option scheme.

28 Equity settled share-based transactions (continued)

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Binomial model.

<i>Fair value of share options and assumptions</i>	<i>2011</i>
Fair value at measurement date (RMB'000)	294,050
Share price	RMB8.52
Exercise price	RMB8.89
Expected volatility	45%-50%
Option life	5 years
Risk-free interest rate	3.20-3.43%

The expected volatility is based on the historic volatility of the Company's A share. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a performance condition. This condition has not been taken into account in the grant date fair value measurement of the services provided. There was no market condition associated with the share options.

29 Capital, reserves and dividends

(a) Share capital:

	<i>2011</i>	<i>2010</i>
	RMB'000	RMB'000
Authorised, issued and fully paid:		
A shares of RMB1 each	9,680,255	9,680,255
B shares of RMB1 each	1,314,955	1,314,955
	10,995,210	10,995,210
	10,995,210	10,995,210

Included in the A shares are 18,426,384 shares (2010: 19,364,778 shares) with restriction to transfer.

The holders of A and B shares 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. All A and B shares rank equally with regard to the Company's residual assets.

There was no movement in share capital during 2010 and 2011.

29 Capital, reserves and dividends (continued)

(b) Nature and purpose of reserves

(i) Share-based compensation reserve

The share-based compensation reserve comprises the portion of the grant date fair value of unexercised share options that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(r)(ii).

(ii) Statutory reserves

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.

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 2011, the Company transferred RMB437,289,000 (2010: RMB308,311,000), 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.

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 2011, the directors proposed to transfer RMB2,623,732,000 (2010: RMB1,541,554,000), being 60% (2010: 50%) of the Company's current year's net profit as determined in accordance with the PRC accounting rules and regulations, to this reserve.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(v).

29 Capital, reserves and dividends (continued)

(b) Nature and purpose of reserves (continued)

(iv) Other reserves

Other reserves are mainly resulted from transactions with owners in their capacity as owners, fair value movement of available-for-sale securities and a share award scheme in prior years. The movement for the year ended 31 December 2011 mainly represents the difference between the fair value and book value of the acquirees' net assets at the dates of acquisitions of non-controlling interests and fair value movement of available-for-sale securities.

(c) Dividends

(i) Dividend payable to equity shareholders of the Company attributable to the year

	<i>2011</i>	<i>2010</i>
	RMB'000	RMB'000
Dividend to be proposed at the Company's forthcoming annual general meeting of RMB0.13 per share (2010: RMB0.10 per share)	<u>1,429,377</u>	<u>1,099,521</u>

The dividend to be proposed at the Company's forthcoming annual general meeting has not been recognised as a liability at the end of the reporting period.

(ii) Dividend payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	<i>2011</i>	<i>2010</i>
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.10 per share (2010: RMB0.07 per share)	<u>1,099,521</u>	<u>769,665</u>

29 Capital, reserves and dividends (continued)

(d) 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 products and services 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 light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total equity of the Company. Net debt is calculated as total loans and borrowings less cash and cash equivalents and pledged deposits. The gearing ratio at 31 December 2011 and 2010 is calculated as follows:

	2011 RMB'000	2010 RMB'000
Loans and borrowings	50,392,635	47,395,335
Less: Cash and cash equivalents	(33,614,112)	(35,096,935)
Pledged deposits	(625,403)	(2,719,997)
Net debt	<u>16,153,120</u>	<u>9,578,403</u>
Total equity	<u>67,832,539</u>	<u>54,586,200</u>
Gearing ratio	<u>23.8%</u>	<u>17.5%</u>

30 Financial risk management and fair values

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

(a) Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents, pledged deposits, 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.

Cash and cash equivalents and pledged deposits held by the Group are mainly deposited in financial institutions such as commercial banks which maintain sound reputation and financial situation. The credit risk is considered low. The Group sets deposit limits against the financial institutions' credit risks.

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 amounts due from associates and jointly controlled entities, the Group facilitates their capital demand by assessing and closely monitoring their financial conditions and profitability.

In respect of other receivables due from third parties, the Group reviews the exposures and manages them based on the need of operation.

At the end of the reporting period, 15.80% (2010: 27.89%) of the total trade and other receivables was due from the Group's five largest debtors.

Except for the financial guarantees given by the Group as set out in note 32, the Group does not provide any other guarantees which would expose the Group to credit risk.

30 Financial risk management and fair values (continued)

(b) Liquidity risk

The Group's policy is to regularly monitor its 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.

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

	2011				
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 year RMB'000	More than 2 years but less than 5 years RMB'000
Bank and other loans	44,542,238	49,385,740	26,075,856	15,112,360	8,197,524
Corporate bonds	5,850,397	6,513,333	368,000	6,145,333	-
Trade creditors and accruals	61,684,798	61,728,874	61,025,998	461,086	241,790
Financial derivatives	17,042	17,042	17,042	-	-
Accrued interest	272,299	272,299	272,299	-	-
Other non-current liabilities	11,798	11,798	-	-	11,798
Total	112,378,572	117,929,086	87,759,195	21,718,779	8,451,112

	2010				
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 year RMB'000	More than 2 years but less than 5 years RMB'000
Bank and other loans	41,574,190	44,982,922	18,698,509	21,123,839	5,160,574
Corporate bonds	5,821,145	6,881,333	368,000	368,000	6,145,333
Trade creditors and accruals	33,737,807	33,737,807	33,737,807	-	-
Financial derivatives	15,054	15,054	15,054	-	-
Accrued interest	127,807	127,807	127,807	-	-
Other non-current liabilities	8,816	8,816	-	-	8,816
Total	81,284,819	85,753,739	52,947,177	21,491,839	11,314,723

30 Financial risk management and fair values (continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from its cash and loans and borrowings. Cash and loans and borrowings issued at variable rates expose the Group to cash flow interest rate risk. The interest rate and terms of repayment of the Group's interest bearing borrowings are disclosed in notes 22 and 24 to the consolidated financial statements.

Sensitivity analysis

At 31 December 2011, it is estimated that a general increase/decrease of 50 basis points in interest rates of cash and loans and borrowings of the Group, with all other variables held constant, would have decreased/increased the Group's profit after tax and total equity by approximately RMB50 million (2010: RMB14 million).

In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax and total equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2010.

The sensitivity analysis above assumes that the change in interest rates had occurred at the end of the reporting period and had been applied to all floating rate loans and borrowings, without taking into account the impact of interest capitalisation.

(d) Currency 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:

	2011 RMB'000	2010 RMB'000
United States Dollars	967,212	282,660
Hong Kong Dollars	12,681	15,735
Japanese Yen	1,384	192,438

30 Financial risk management and fair values (continued)

(d) Currency risk (continued)

Loans and borrowings denominated in a currency other than the functional currency of the entity to which they relate are as follows:

	2011 RMB'000	2010 RMB'000
United States Dollars	<u>4,503,506</u>	<u>4,530,408</u>

Sensitivity analysis

Based on the assumption that Hong Kong Dollars continue to be pegged to United States Dollars, management estimated that a 10% appreciation/depreciation of United States Dollars/Hong Kong Dollars against Renminbi would not have a material effect on the Group's profit and the Group's equity would be decreased/increased by approximately RMB370 million (2010: RMB377 million). Management estimated that the change in exchange rate of Japanese Yen would not have material impact on the Group's profit and equity for both 2010 and 2011.

The analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and that all other variables remain constant.

30 Financial risk management and fair values (continued)

(e) *Fair values*

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in IFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

31 December 2011

In millions of RMB

	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sales equity securities	-	-	436	436
	-	-	436	436
Liabilities				
Interest rate swaps	(17)	-	-	(17)
	(17)	-	-	(17)

31 December 2010

In millions of RMB

	Level 1	Level 2	Level 3	Total
Liabilities				
Interest rate swaps	(15)	-	-	(15)
	(15)	-	-	(15)

31 Commitments

(a) *Capital commitments outstanding at 31 December 2011 not provided for in the financial statements were as follows:*

	2011 RMB'000	2010 RMB'000
Construction and development contracts	32,200,196	19,939,291
Land agreements	7,963,627	19,829,659
	40,163,823	39,768,950

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

(b) *At 31 December 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:*

	2011 RMB'000	2010 RMB'000
Within 1 year	31,478	24,570
After 1 year but within 2 years	18,877	20,547
After 2 year but within 3 years	16,407	9,947
After 3 years	80,223	22,906
	146,985	77,970

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, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

32 Contingent liabilities

As at the end of the reporting period, the Group has issued guarantees to banks to secure the mortgage arrangement of property buyers. The outstanding guarantees to the banks amounted to RMB25,554 million (2010: RMB20,299 million), including guarantees of RMB25,409 million (2010: RMB20,184 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 RMB145 million (2010: RMB115 million) which will be terminated upon full repayment of mortgage loans by buyers to the banks.

32 Contingent liabilities (continued)

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.

In addition, the Group is the defendant in certain lawsuits as well as the plaintiff in other proceedings arising in the ordinary course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, management believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group.

33 Material related party transactions

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

Associates	(note 14, 19 & 24)
Jointly controlled entities	(note 15, 19 & 24)
Key management personnel	(see note (c) below)

(b) *Loan from a related party*

The details of the loan from a related party are as follows:

	Loan balance as at	Interest incurred
	31 December 2011	for the year ended 31 December 2011
	RMB'000	RMB'000
China Resources SZITIC Trust Co., Ltd. (the "Trust")	<u>1,000,000</u>	<u>5,289</u>

The Trust is a subsidiary of China Resources Co., Limited ("CRC"). CRC holds the largest percentage of the share of interest in the Company among all shareholders.

The loan bears interest that is not higher than other trust loans borrowed during the year from independent third parties, is unsecured and repayable on 13 December 2013.

33 Material related party transactions (continued)

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group is as follows:

	2011 RMB'000	2010 RMB'000
Short-term employee benefits	<u>111,379</u>	<u>91,208</u>

Total remuneration is included in “staff costs” (see note 8(b)).

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:

	2011 RMB'000	2010 RMB'000
Sales of properties to the key management personnel	16,812	8,803
Related cost of sales	<u>(9,677)</u>	<u>(4,639)</u>
Gross profit	<u>7,135</u>	<u>4,164</u>
Estimated fair value of the properties sold to the key management personnel	<u>18,989</u>	<u>8,803</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 Economic Profits 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 Profits in the corresponding year. The short-term employee benefits above include the bonus distributed to the key management personnel amounting to RMB15,418,700 (2010: Nil) arising from the Plan in respect of the Economic Profits in 2010 but exclude the accrued bonus in respect of the Economic Profits in 2011 as the amount has not been determined or distributed up to the date of these consolidated financial statements.

34 Acquisitions of subsidiaries

During the year, the Group has acquired certain subsidiaries which hold property development projects. Acquisitions of these subsidiaries enable the Group to expand its land banks. Acquisitions of major subsidiaries by the Group during the year are summarised as follows:

<i>Date of acquisition</i>	<i>Name of subsidiaries acquired</i>	<i>Percentage of equity interest acquired</i>	<i>Consideration</i>
24 March 2011	Shenzhen Haixuan Investment Development Co., Ltd.	50% (note 1)	RMB 5,000,000
9 March 2011	Wuhan Yongli Property Development Co., Ltd.	100%	RMB 36,000,000
10 January 2011	Winble Capital Limited	100%	HKD 1,000
1 April 2011	Guangzhou Panyu Xiangxin Property Development Co. Ltd.	100%	RMB 3,100,000,000
30 June 2011	Sanya Vanke Zhongshi Property Development Co., Ltd.	70%	RMB 14,000,000
24 June 2011	Shan'xi Hanbo Co., Ltd.	51%	RMB 5,100,000
11 May 2011	Future Vision Investments Limited	100%	USD 22,662,135
11 May 2011	Dongguan Shenghong Investment Co., Ltd.	34% (note 1)	RMB 340,000
11 May 2011	Dongguan Zhongwan Guangda Enterprise Co., Ltd.	25% (note 1)	RMB 250,000
14 January 2011	Glorious Profit Investment Limited	100%	HKD 1
1 August 2011	Changsha Guangying Property Development Co., Ltd.	60%	RMB 6,000,000
21 July 2011	Guangzhou Huangpu Wenchong Chengzhongcun Property Development Co., Ltd.	90%	RMB 90,000,000
3 July 2011	Shenzhen Longgang Baotong Cable Co., Ltd.	50% (note 1)	RMB 17,900,000
15 July 2011	Shichang Bicycle Parts (Shenzhen) Co., Ltd.	50% (note 1)	RMB 10,000,000
12 July 2011	Shenzhen Wanhongjia Investment Development Co., Ltd.	60%	RMB 600,000
28 December 2011	Dalian Guanfang Property Development Co., Ltd.	61%	RMB 6,100,000
28 December 2011	Dalian Jisen Property Development Co., Ltd.	55%	RMB 55,000,000
27 November 2011	Jiangxi Tianxiangyuan Property Development Co., Ltd.	65%	RMB 172,852,500

34 Acquisitions of subsidiaries (continued)

<i>Date of acquisition</i>	<i>Name of subsidiaries acquired</i>	<i>Percentage of equity interest acquired</i>	<i>Consideration</i>
4 November 2011	Shenzhen Mingjue Investment Development Co., Ltd.	50%	RMB 853,872,000
4 November 2011	Shenzhen Mingjue Property Development Co., Ltd.	45%	Note 2
25 August 2011	Urumqi Yama Xi'an Commercial and Trading Co., Ltd	60%	RMB 123,329,100
20 September 2011	Shenzhen Wanlongliang Investment Development Co., Ltd.	60%	RMB 6,000,000

Note 1: Based on the voting right in the board of directors of the company, the Group controlled the company's financial and operating policies. Therefore, the company was included in the Group's consolidated scope.

Note 2: The Group acquired 45% interest in Shenzhen Mingjue Property Development Co., Ltd. (the "Project Company") by acquiring 50% interest in Shenzhen Mingjue Investment Development Co., Ltd. (the "Holding Company") that held 90% interest in the Project Company. After the acquisition, the Group's shares of interest in the Holding Company and the Project Company were 100% and 90%, respectively.

The acquisitions of these subsidiaries had the following combined effect on the Group's assets and liabilities upon the dates of acquisitions:

	<i>Carrying amount RMB'000</i>	<i>Adjustments RMB'000</i>	<i>Recognised values on acquisitions RMB'000</i>
Current assets	7,184,038	3,524,917	10,708,955
Non-current assets	323,233	-	323,233
Current liabilities	(5,617,791)	-	(5,617,791)
Non-current liabilities	(705,330)	-	(705,330)
Non-controlling interests	(59,199)	-	(59,199)
Group's share of net identifiable assets and liabilities	<u>1,124,951</u>	<u>3,524,917</u>	<u>4,649,868</u>

34 Acquisitions of subsidiaries (continued)

The acquisitions of these subsidiaries had the following combined effect on the Group's assets and liabilities upon the dates of acquisitions: (continued)

	RMB'000
Total consideration	4,649,868
Consideration to be paid subsequent to 2011	(566,201)
Consideration paid in 2011	4,083,667
Total cash and cash equivalents acquired	(807,834)
	3,275,833
Consideration paid for the acquisitions prior to 2011	589,892
Net cash outflow	3,865,725

The above subsidiaries contributed an aggregate turnover of RMB4,164 million and profit attributable to the equity shareholders of the Company of RMB961 million to the Group for the year ended 31 December 2011. Should the acquisitions had occurred on 1 January 2011, the consolidated turnover and the consolidated profit attributable to the equity shareholders of the Company for the year ended 31 December 2011 would have been RMB67,709 million and RMB9,624 million respectively.

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.

35 Disposal of a subsidiary

On 29 December 2011, the Group's former subsidiary, Wuhan Liantou Vanke Real Estate Company Limited ("Wuhan Liantou"), became a jointly controlled entity of the Group as the Group no longer controlled Wuhan Liantou's financial and operating policies according to the revised Article of Association.

The effect on the Group's assets and liabilities is set out below:

	RMB'000
Current assets	(2,575,570)
Interest in a jointly controlled entity	200,775
Other non-current assets	(11)
Current liabilities	874,806
Non-current liabilities	1,500,000
Net identifiable assets and liabilities	-
Cash disposed of	(985,466)
Net cash outflow	(985,466)

35 Disposal of a subsidiary (continued)

No significant variance between the fair value and net book value of Wuhan Liantou's net identifiable assets and liabilities was noted at the disposal date. No gain or loss was recognised on the disposal.

36 Non-adjusting post balance sheet events

After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in note 29(c).

37 Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

38 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2011

Up to date of issue of these financial statements, the IASB has issued a number of amendments and five new standards which are not yet effective for the year ended 31 December 2011 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

*Effective for
accounting periods
beginning on or after*

Amendments to IFRS 7, <i>Financial instruments:</i>	
<i>Disclosures – Transfers of financial assets</i>	1 July 2011
Amendments to IAS 1, <i>Presentation of financial statements – Presentation of items of other comprehensive income</i>	1 July 2012
IFRS 9, <i>Financial instruments</i>	1 January 2013
IFRS 10, <i>Consolidated financial statements</i>	1 January 2013
IFRS 12, <i>Disclosure of interests in other entities</i>	1 January 2013
IFRS 13, <i>Fair value measurement</i>	1 January 2013
IAS 28, <i>Investments in associates and joint ventures</i>	1 January 2013
Revised IAS 19, <i>Employee benefits</i>	1 January 2013

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.

39 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>
Shenzhen Vanke Real Estate Company Limited	Shenzhen	RMB600,000,000	100%	Property development
Shenzhen Vanke Xizhigu Real Estate Company Limited	Shenzhen	RMB10,000,000	60%	Property development
Shenzhen Vanke City Scenery Property Company Limited	Shenzhen	RMB120,000,000	100%	Property development
Shenzhen Vanke Xingye Property Company Limited	Shenzhen	RMB62,413,230	100%	Property development
Shenzhen Vanke Nancheng Real Estate Company Limited	Shenzhen	RMB10,000,000	100%	Property development
Shenzhen Vanke Daolin Investment Development Company Limited	Shenzhen	RMB20,000,000	100%	Property development
Huizhou Vanke Property Company Limited	Huizhou	RMB10,000,000	100%	Property development
Guangzhou Vanke Real Estate Company Limited	Guangzhou	RMB1,000,000,000	100%	Property development
Foshan Vanke Real Estate Company Limited	Foshan	RMB80,000,000	100%	Property development
Guangzhou Wanxin Property Company Limited	Guangzhou	HKD760,000,000	100%	Property development
Guangzhou Pengwan Property Company Limited (note)	Guangzhou	RMB200,000,000	50%	Property development
Qingyuan Hongmei Investment Company Limited	Qingyuan	RMB280,000,000	95%	Property development
Dongguan Vanke Real Estate Company Limited	Dongguan	RMB20,000,000	100%	Property development
Dongguan Xinwan Property Development Company Limited	Dongguan	RMB10,000,000	51%	Property development
Dongguan Songhuju Property Company Limited	Dongguan	RMB10,000,000	100%	Property development
Dongguan Xintong Industry Investment Company Limited	Dongguan	RMB10,000,000	51%	Property development
Foshan Nanhai District Jinyulanwan Propoerty Company Limited	Foshan	USD190,000,000	55%	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
Xiamen Vanke Real Estate Company Limited	Xiamen	RMB50,000,000	100%	Property development
Fuzhou Vanke Real Estate Company Limited	Fuzhou	RMB20,000,000	100%	Property development
Hainan Vanke Property Development Company Limited	Hainan	RMB10,000,000	100%	Property development

39 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>
Shanghai Vanke Investment and Management Company Limited	Shanghai	RMB204,090,000	100%	Property development
Shanghai Hengda Property Shareholding Company Limited	Shanghai	RMB141,348,200	99.8%	Property development
Shanghai Vanke Baobei Property Company Limited	Shanghai	RMB10,000,000	100%	Property development
Shanghai Meilanhuafu Property Company Limited	Shanghai	RMB700,000,000	100%	Property development
Shanghai Dijie Property Company Limited (note)	Shanghai	RMB20,000,000	50%	Property development
Shanghai Xiangda Real Estate Development Company Limited	Shanghai	RMB1,783,000,000	75%	Property development
Shanghai Vanke Real Estate Company Limited	Shanghai	RMB800,000,000	100%	Property development
Shanghai Luolian Property Company Limited.	Shanghai	RMB470,000,000	100%	Property development
Nanjing Vanke Property Company Limited	Nanjing	RMB150,000,000	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
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
Wuxi Dongcheng Real Estate Company Limited	Wuxi	USD149,400,000	100%	Property development
Jiangsu Sunan Vanke Real Estate Company Limited	Suzhou	RMB30,000,000	100%	Property development
Suzhou Vanke Zhongliang Property Company Limited	Suzhou	RMB230,000,000	51%	Property development
Suzhou Huihua Investment and Property Company Limited	Suzhou	RMB355,000,000	51%	Property development
Hangzhou Wankun Property Development Company Limited	Hangzhou	RMB350,000,000	51%	Property development
Hangzhou Vanke Property Company Limited	Hangzhou	RMB320,000,000	100%	Property development
Hangzhou Hotel Management Company Limited	Hangzhou	RMB10,000,000	100%	Property development
Hangzhou Vanke Junyuan Property Company Limited	Hangzhou	USD66,660,000	100%	Property development
Fuyang Vanke Real Estate Development Company Limited	Hangzhou	RMB300,000,000	100%	Property development

39 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>
Ningbo Vanke Real Estate Company Limited	Ningbo	RMB150,000,000	100%	Property development
Ningbo Jiangbei Vanke Property Development Company Limited	Ningbo	RMB675,000,000	100%	Property development
Beijing Vanke Enterprises Shareholding Company Limited	Beijing	RMB2,000,000,000	100%	Property development
Beijing Chaoyang Vanke Property Development Company Limited	Beijing	RMB200,000,000	60%	Property development
Beijing Vanke Zhongliang Jiarifengjing Real Estate Development Company Limited (note)	Beijing	RMB830,000,000	50%	Property development
Tianjin Vanke Real Estate Company Limited	Tianjin	RMB390,000,000	100%	Property development
Tianjin Wanbin Real Estate Development Company Limited	Tianjin	RMB455,000,000	60%	Property development
Tianjin Zhongtian Wanfang Investment Company Limited	Tianjin	RMB30,000,000	100%	Property development
Tianjin Vanke Xinlicheng Company Limited	Tianjin	RMB230,000,000	100%	Property development
Tianjin Wanzhu Investment Company Limited	Tianjin	RMB30,000,000	100%	Property development
Tianjin Wanfu Investment Company Limited	Tianjin	RMB192,000,000	100%	Property development
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
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
Dalian Vanke Real Estate Development Company Limited	Dalian	RMB32,000,000	100%	Property development
Dalian Vanke City Real Property Company Limited	Dalian	USD42,000,000	55%	Property development
Anshan Vanke Property Development Co., Ltd.	Anshan	USD5,172,700	100%	Property development
Changchun Vanke Real Estate Company Limited	Changchun	RMB50,000,000	100%	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
Qingdao Da Shan Real Estate Development Company Limited	Qingdao	RMB100,000,000	100%	Property development

39 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>
Chengdu Vanke Real Estate Company Limited	Chengdu	RMB80,000,000	100%	Property development
Chengdu Vanke Guobin Property Company Limited	Chengdu	USD140,000,000	60%	Property development
Chengdu Vanke Guanghua Property Company Limited	Chengdu	USD131,428,571	100%	Property development
Chengdu Vanke Jinjiang Property Company Limited	Chengdu	RMB10,000,000	100%	Property development
Chengdu Vanke Huadong Real Estate Company Limited	Chengdu	RMB77,680,000	90%	Property development
Chengdu Vanke Chenghua Property Company Limited	Chengdu	RMB554,479,142	85%	Property development
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 Guohao Property Company Limited	Wuhan	RMB10,000,000	55%	Property development
Wuhan Wangjiadun Morden City Property Company Limited	Wuhan	RMB200,000,000	100%	Property development
Chongqing Yu Development Coral Property Company Limited	Chongqing	RMB20,000,000	51%	Property development
Hefei Vanke Property Company Limited	Hefei	RMB200,000,000	100%	Property development
Vanke (Chongqing) Real Estate Company Limited	Chongqing	RMB100,000,000	100%	Property development
Xi'an Vanke Real Estate Company Limited	Xi'an	RMB20,000,000	100%	Property development
Nantong Vanke Real Estate Company Limited	Nantong	RMB8,000,000	100%	Property development
Guiyang Vanke Real Estate Company Limited	Guiyang	RMB100,000,000	100%	Property development
Kunming Vanke Property Development Co., Ltd.	Kunming	RMB20,000,000	100%	Property development
Yantai Vanke Property Development Co., Ltd.	Yantai	RMB30,000,000	100%	Property development
Taiyuan Vanke Real Estate Company Limited	Taiyuan	RMB60,000,000	100%	Property development
Xinjiang Vanke Real Estate Company Limited	Urumqi	RMB100,000,000	100%	Property development
Yangzhou Wanwei Property Company Limited	Yangzhou	RMB550,000,000	65%	Property development
Jiaxing Vanke Property Development Co., Ltd.	Jiaxing	RMB100,000,000	100%	Property development
Tangshan Vanke Property Development Co., Ltd.	Tangshan	RMB200,000,000	100%	Property development
Fushun Vanke Property Development Co., Ltd.	Fushun	RMB10,000,000	100%	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.