Architecture – Our tribute to life

2009 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 Shirley L. Xiao, Independent Director David Li Ka Fai, Independent Director Judy Tsui Lam Sin Lai, Independent Director Qi Daqing attended the board meeting in person. Deputy Chairman Song Lin, Director Wang Yin, Director Sun Jianyi 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. Independent Director Charles Li was not able to attend the board meeting in person due to his business engagements and had authorised Independent Director Qi Daqing to represent him and vote on behalf of him 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.

To Shareholders

2009 marked another eventful year for the property industry. From a fleeting boom in 2007 to a market slump in 2008, and the emergence of a silver lining in 2009, the property industry has gone through several cycles of ups and downs within the three years.

We are now sailing across the immense expanse of open water of the world property industry. Perhaps because of this, we are steering through unprecedented turbulent seas. Yet, no matter we ride down into the trough or on the crest, we should not forget the mission and charted course of our journey. Below the swell, there lies the deep sea abyss, where the perennial philosophy is found.

Logic of recovery

The world economy is experiencing the most rigorous challenge since World War II. Under such dramatic tremendous changes, desires for recovery have become a common goal across the world. Many business sectors might only see the sprout of hope in 2009, but the property market in the PRC led the way in showing a V-shaped rebound.

How should we interpret such a phenomenon? And what is the outlook for the PRC property market? However, what people concerned and speculated most in the past year were external factors such as revitalisation plan, stimulus policies, monetary policy, liquidity, etc.

These were undoubtedly important issues. Some of these factors could produce crucial results at a specific point of time, or even in the short run. As early as the agricultural era, climate changes had significant impact on harvest. Thus, should weather observation be the most important task for an earnest farmer?

There is certainly limitation in rationality. In this age of complexity, people apparently do not have the ability to predict future. As an enterprise, our ability to foresee changes in the operation environment is not necessary superior to a farmer’s weather forecast power in ancient time. Focusing on our business is probably the most pragmatic approach.

In the 2006 annual report, we had discussed the following issue: the coastal area of China at the junction of three major economic zones witnessed the birth of the world’s largest city cluster in history. Hundreds of millions of individuals or tens of millions of households were moving to this city cluster. When they arrived, their bare hands and wisdom might be their only property, but some day, they would become the masters of the city. There would be almost unlimited opportunities for development for the residential property developers, should they have due respect for these newcomers and attach importance to them and possess the skills to serve them. This is the real secret of the continued prosperity of this industry.

We can use this logic to make a simple interpretation of the high volatility experienced by the industry in the past three years. There was still rationality behind the market boom in the first half of 2007, but real purchasing power, to certain extent, fell amid the euphoria in the second of the year. As such, the macro economic adjustment in 2008 was inevitable even if there had not been any change in the external environment. Yet in 2008, the real purchasing power remained solid. Customers held off on their purchases and built their savings when the market remained uncertain. The increased inventory of property developers could be interpreted as accumulation of saleable resources. When the pent-up demand released in 2009, it was met by the accumulated saleable inventory, leading to an upsurge in transaction volume.

Part of the transaction volume in 2009 should have been recorded in 2008. As such, the historical high achieved in 2009 was not surprising. If we take the average of the figures of the two years, the transaction volume of new housing in the PRC achieved an annualized growth of approximately 10 per cent from 2007 to 2009, which was close to the average annual growth rate of the economy.

Along with this logic, we again see the development of the property market as a miniature of an economy. Based on this logic, we should not be excited about the record high transaction volume in 2009, nor should we worry too much about the potential market contraction in 2010.

Regardless of the amount of capital flowing in and out of the residential property market and the proportion of investment buyers in home purchase, the ultimate value and meaning of a property is that people live inside. As such, there are two eternal questions that residential property developers have to deal with. First, explore and satisfy any unfulfilled demand; second, try to use fewer resources to meet repeated demand.

Despite the twists and turns in the past few years, China Vanke has been the world's largest residential property developer for two consecutive years. The Company should not worry about the gains and losses from the market's ups and downs, nor should it indulge itself in the temporary expansion in operation. Actual demand and real purchasing power are the fundamental drivers of recovery and continual development of an industry. The ability to maximise customers' satisfaction with the minimal resources is the ultimate key to an enterprise's competitiveness. There is no exception to the residential property industry nor to any other industry.

Dancing pace of a city

The PRC is going through the most rapid urbanisation in history as well as the largest scale of migration in the history of humankind, which provides the PRC residential property industry with a rarely seen opportunity. We have mentioned this point repeatedly in our previous reports and, needless to say, it has gained wide social recognition.

As an enterprise, it is absolutely not enough to have an overall direction, source of confidence and room for creative thinking. What we need in addition are clearer and detailed analysis and judgment.

People converge in a city to pursue a better life. Wealth and happiness are not only derived from the growth in basic material wealth, but also from diverse lifestyle and experiences. However, in view of the economies of scale achieved in production, logistics, channels as well as knowledge and information, the increasingly differentiated and diverse consumer demand, and the more complex and sophisticated division of labour can only be satisfied and achieved by the convergence effects of a densely populated area.

On the other hand, when more people gather together, the city becomes more crowed, and the living space gets smaller. The contradiction between economic efficiency and living space is eternal. Therefore, the location and pattern of a population convergence will change under different backgrounds and in different historical periods; meanwhile, the improvement and technical innovation of transportation, logistics and information communication also continue to contribute to the changing urbanisation patterns.

Hong Kong offers a thought-provoking case. As the most developed city in the PRC, the middle-class income in Hong Kong is much higher than that of any other city in mainland China, but the average living space per capita of Hong Kong's middle class may be less than that of any other city in mainland China. This could not be simply explained by population density alone, as the population density in Shenzhen has surpassed that of Hong Kong. Finance and other high-end services industry are the most important sectors of Hong Kong; working efficiency in Hong Kong may be one of the highest in the world – this implies that cost per unit of time in Hong Kong may be the highest in the PRC. Perhaps, this is a more reasonable explanation.

The PRC will have more cities developed on a par with Hong Kong in the future, but not every city will become another Hong Kong. Changes in specialisation and differentiation of cities have gone almost unnoticed in recent years, but are still far from completion. In the coming years, these will determine the urbanisation pattern of the property industry. In those metropolitans with the most expensive cost per unit of time, railways and even lifts will become the most important transportation tools; the pure residential communities will cease to be the mainstream of architecture, as replaced by city complexes.

In the past few years, the PRC economy leveraged global trade to achieve rapid growth. The interregional migration in the PRC, where people moved from the inland to the coastal regions, from low-density to high-density cities, was a typical example of the "Matthew effect". However, the global financial crisis has posed a challenge to this highly export-oriented economy. As a huge economy with a vast territory, the PRC needs to rely on domestic demand and supply to sustain its economic development. In inland China, there may emerge more industry centres, trade centres, logistic centres, and even information centres.

The construction of high-speed railway and inter-city transportation network has shortened the distance between cities, which will accelerate the formation of city cluster, driving the development of regions adjacent to large metropolitans, and even leading to reverse migration from core cities to satellite cities.

The elderly population is now growing rapidly. For those people who withdraw from a busy work life and start to enjoy life after retirement, they can reconsider the option of whether to live in a crowded city or not. With basic material needs being satisfied, indulging in beautiful landscapes or even a temporary escape from the hustle and bustle of a city become a popular demand. Segmental markets such as those for housing for the elderly, holiday resorts, etc are emerging.

The Company's past success and current market position were attributable to its accurate capture of the direction of city development. The Company will not waver from its principle of "development in line with the city's" but, facing a new situation, it will need to reconsider many issues.

"Better city, better life" is the theme of Shanghai EXPO. Therefore, China Vanke will adopt the idea of "Better city, better life" as the theme of the Company for this year. It is not only an inspiring statement, but also a thought-provoking question, requiring us to work all-out to figure it out and answer.

Dreams of being green

In November 2009, just before the world-focused 2009 Copenhagen Climate Change Global Summit, the PRC government formally announced its emissions reduction target in the medium term. This becomes an important page of 2009 in the economic development history of the PRC.

To Chinese enterprises, global warming and low carbon economy are not just an imported concept mentioned in the newspapers, but will have far-reaching impact on the development of almost all the industries, including the property sector. As China is undergoing highly rapid urbanisation, it has the most active construction industry in the world. It is therefore imperative to lift the energy saving and environmental friendly standards in construction.

According to statistics, energy consumption per unit GFA in the PRC may be two to three times that of developed countries. Over 80% of new buildings and more than 95% of building stock are high-energy consumption buildings. Pursuant to "2008 research report on China's annual development of energy saving in construction", the energy consumption of operation of rural and urban buildings in the PRC accounted for approximately 25.5% of the country's total amount of commodity energy, and the energy consumption ratio in the construction industry would surge higher if we take into account the energy consumed during the building process.

Energy saving is an integral component of green construction, but does not represent the whole of it. Man spends most of his life in building. Among the man-made products produced and used by mankind, buildings are most likely the biggest in size and the heaviest. To certain extent, human's impact on Mother Nature through his activities and his use of natural resources are, directly or indirectly, related to building. Once a building has been built, the activities of the people it serves and the ways the people utilise natural resources are then basically determined.

The emergence of green concept reflects that man reconsiders his own development. When the carrying capacity of the Nature increasingly becomes an important factor for restraining human development, the impact of human activity on the Nature is increasingly similar to that on another person. When one's freedom interferes with the other's, it gives rise to rules, rights and obligations. Whether it is by law or the value of resources, the cost of the impact that human activity has on the Nature is being re-determined. This will gradually affect every person's interest.

As such, to residential property developers, to "go green" is not only a lofty idea, but is also closely tied with their customer's interest in the future. Residential property developers' ability to research and develop green buildings, as well as ability to develop and maintain green communities will play a key role in product competitiveness and may become important elements to compete in the market in the future as other products and services are becoming increasingly homogenous.

However, the conversion of the green competitive advantage into revenue clearly shown on the financial statements will not occur in 2010, nor in the next two to three years. But as an ongoing business concern, China Vanke will strive to ensure that when this conversion takes place, customers of the Company will be the first to enjoy products and services meeting the requirements of green standards and shareholders of China Vanke will obtain the maximum benefit from the green economy.

Since its establishment, the Company has the good fortune to gain the continued support of a group of investors sharing the same vision. In this volatile era, shareholders' understanding and trust are the greatest motivation for China Vanke to move ahead unswervingly from its vision and belief.

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 East Coast Buildings C02, 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" and an English medium 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: 19 September 2008; location: Shenzhen
13. Corporate legal person business registration no.: 440301102900139
14. Taxation registration code: Local taxation registration code: 440304192181490
    State taxation registration code: 440301192181490
15. Organisation code: 19218149-0
16. The name and address of the certified public accountants appointed by the Company:
    KPMG Huazhen Certified Public Accountants: 8/F, Office Tower E2, Oriental Plaza, 1 East Chang An Avenue, Beijing

III. Accounts and Financial Highlights

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

	2009	2008	2007
Revenue	46,047,893,250	38,619,214,077	33,486,560,759
Operating profit	9,095,535,238	8,844,809,759	9,848,471,908
Share of profits less losses of associates and jointly controlled entities	541,860,863	209,735,863	128,643,367
Profit before income tax	9,293,002,888	8,420,227,338	9,628,685,644
Taxation	-2,862,995,349	-3,780,358,185	-4,311,184,826
Profit for the year	6,430,007,539	4,639,869,153	5,317,500,818
Profit attributed to minority interests	-1,100,269,812	-606,699,125	-473,265,324
Profit attributed to Equity shareholders of the Company	5,329,737,727	4,033,170,028	4,844,235,494
Basic earnings per share	0.48	0.37	0.45
Diluted earnings per share	0.48	0.37	0.45
Dividend per share	0.07	0.05	0.10

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

Items	**Net profit for 2009**
As determined pursuant to PRC accounting standards	**5,329,737,727**
As determined in conformity with IFRS	**5,329,737,727**

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 2009)

Class of Share	*31 December 2008*		*Increase / decrease* （+, - ）	*31 December 2009*	
	Quantity	Percentage of shareholding	Others （Note 1 & 2）	Quantity	Percentage of shareholding
I. Restricted Shares					
1. State-owned and State-owned legal person shares	264,000,000	2.40%	-264,000,000	0	0%
2. Shares held by domestic legal persons					
3. Shares held by domestic natural persons	26,037,098	0.24%	-1,877,258	24,159,840	0.22%
4. Shares held by foreign investors					
Total number of restricted shares	**290,037,098**	**2.64%**	**-265,877,258**	**24,159,840**	**0.22%**
II. Non-restricted Shares					
1. RMB-denominated ordinary shares (A shares)	9,390,217,652	85.40%	265,877,258	9,656,094,910	87.82%
2. Domestic listed foreign shares (B shares)	1,314,955,468	11.96%		1,314,955,468	11.96%
Total number of non-restricted shares	**10,705,173,120**	**97.36%**	**265,877,258**	**10,971,050,378**	**99.78%**
III. Total Number of Shares	**10,995,210,218**	**100.00%**	**0**	**10,995,210,218**	**100.00%**

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

(1) During the reporting period, the Shenzhen office of China Securities Depository & Clearing Corporation Limited, according to regulations, lifted the selling restrictions on certain restricted shares held by senior management, leading to a decrease of 1,877,258 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.

(2) During the reporting period, the selling restrictions on the 264,000,000 restricted shares from 2006 private placing held by China Resources Co., Limited (“CRC”) were lifted, leading to a corresponding decrease in the number of State-owned and State-owned legal person restricted tradable shares of the Company 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
CRC	264,000,000	264,000,000	0	0	Private placing of restricted shares	2009-12-29
Wang Shi	6,419,667	1,192,602	0	5,227,065	Chairman	The Shenzhen office of China Securities Depository & Clearing Corporation Limited, according to regulations, lifted the selling restrictions on certain restricted shares held by senior management
Yu Liang	3,995,399	332,539	0	3,662,860	Director, senior management staff	
Ding Fuyuan	1,901,035	352,117	0	1,548,918	Member of Supervisory Committee	
Sun Jianyi	519,177	0	0	519,177	Director	
Zhang Li	1,036,204	0	0	1,036,204	Member of Supervisory Committee	
Liu Aiming	1,650,978	0	0	1,650,978	Senior management staff	
Ding Changfeng	1,487,660	0	0	1,487,660	Senior management staff	
Xie Dong	1,487,660	0	0	1,487,660	Senior management staff	
Zhang Jiwen	1,548,950	0	0	1,548,950	Senior management staff	
Mo Jun	1,548,950	0	0	1,548,950	Senior management staff	
Xu Hongge	1,650,978	0	0	1,650,978	Senior management staff	
Shirley L. Xiao	1,446,849	0	0	1,446,849	Director, senior management staff	
Wang Wenjin	1,343,591	0	0	1,343,591	Senior management staff	
Total	**290,037,098**	**265,877,258**	**0**	**24,159,840**	—	—

Note: Save for the above-mentioned persons, other Directors, members of the Supervisory Committee and senior management of the Company did not hold any of the Company's shares.

(2) Issue and listing of shares

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

Issue of corporate bonds

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

Public issue of A shares

Approved by the CSRC Zhengjian Fa Xing Zi [2007] No. 240 documents, on 22 August 2007, the Company issued a prospectus for its public issue of new A shares and began to prepare for the public issue of the new A shares. The existing shareholders of A shares had pre-emptive right to purchase A shares of the new issue. The remaining balance of the new issue would be offered at a fixed price through on-line and off-line

subscription. The issue price was RMB31.53 per share. The number of new A shares of this issue was 317,158,261 shares, raising a total amount of proceeds of RMB9,999,999,969.33. The net proceeds, after deducting issue expenses, were RMB9,936,601,701.22.
On 5 September 2007, the newly issued A shares were listed on the Shenzhen Stock Exchange.

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 2009)

(1) Information on shareholders

Unit: share

Total number of shareholders	1,487,388 (A shares: 1,446,970, B shares: 40,418)				
Shareholdings of the top 10 shareholders					
Name of shareholder	**Classification of shareholder**	**Percentage of shareholdings**	**Total number of shares held**	**Number of restricted shares held**	**Number of pledged or lock-up shares**
CRC	State-owned legal person	14.73%	1,619,094,766	0	0
China Life Insurance Company Limited– Dividend Distribution–Individual Dividend- 005L-FH002 Shen	Others	1.67%	184,121,543	0	0
Liu Yuansheng	Others	1.22%	133,791,208	0	0
Rongtong Shenzhen Stock Exchange 100 Index Securities Investment Fund	Others	0.91%	99,575,114	0	0
Toyo Securities Asia Limited-A/C client	Foreign shareholder	0.80%	87,455,642	0	0
E Fund Shenzhen Stock Exchange 100 Exchange-Traded Fund (E Fund Securities Funds (2009) 947)（易方达深证100交易型开放式指数证券投资基金（易方证基（2009）947））	Others	0.79%	87,047,066	0	0
HTHK/CMG FSGUFP-CMG First State China Growth FD	Foreign shareholder	0.75%	82,406,712	0	0
Bosera Tertiary Industry Growth Stock Securities Investment Fund	Others	0.73%	80,000,000	0	0
E Fund Shenzhen Stock Exchange 100 Exchange-Traded Fund (E Fund Securities Funds (2006) 20)（易方达深证100交易型开放式指数证券投资基金（易方证基（2006）20））	Others	0.67%	74,032,782	0	0
Bosera Emerging Growth Fund	Others	0.64%	70,000,000	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)
China Life Insurance Company Limited– Dividend Distribution–Individual Dividend- 005L-FH002 Shen	184,121,543	Ordinary RMB-denominated shares (A shares)
Liu Yuansheng	133,791,208	Ordinary RMB-denominated shares (A shares)
Industrial and Commercial Bank of China -Rongtong Shenzhen Stock Exchange 100 Index Securities Investment Fund	99,575,114	Ordinary RMB-denominated shares (A shares)
Toyo Securities Asia Limited-A/C client	87,455,642	Domestic listed foreign shares (B shares)
E Fund Shenzhen Stock Exchange 100 Exchang-Traded Fund (E Fund Securities Funds (2009) 947)（易方达深证100交易型开放式指数证券投资基金（易方证基（2009）947））	87,047,066	Ordinary RMB-denominated shares (A shares)
HTHK/CMG FSGUFP-CMG First State China Growth FD	82,406,712	Domestic listed foreign shares (B shares)
Bosera Tertiary Industry Growth Stock Securities Investment Fund	80,000,000	Ordinary RMB-denominated shares (A shares)
E Fund Shenzhen Stock Exchange 100 Exchange-	74,032,782	Ordinary RMB-denominated shares

Traded Fund (E Fund Securities Fund (2006) 20)（易方达深证100交易型开放式指数证券投资基金（易方证基（2006）20））		(A shares)
Bosera Emerging Growth Fund	70,000,000	Ordinary RMB-denominated shares (A shares)
Remarks on the connected relationship or action in concert of the aforementioned shareholders	E Fund Shenzhen Stock Exchange 100 Exchange-Traded Fund (E Fund Securities Funds (2009) 947) and E Fund Shenzhen Stock Exchange 100 Exchange-Traded Fund (E Fund Securities Funds (2006) 20) are funds managed by E Fund Management Co., Ltd; Bosera Tertiary Industry Growth Stock Securities Investment Fund and Bosera Emerging Growth 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	Number of new shares that may be listed and traded	Conditions of selling restrictions
1	Wang Shi	5,227,065	——	——	The Shenzhen office of China Securities Depository & Clearing Corporation Limited, according to relevant regulations, put selling restrictions on the shares held by the senior management of the Company.
2	Yu Liang	3,662,860			
3	Liu Aiming	1,650,978			
4	Xu Hongge	1,650,978			
5	Zhang Jiwen	1,548,950			
6	Mo Jun	1,548,950			
7	Ding Fuyuan	1,548,918			
8	Ding Changfeng	1,487,660			
9	Xie Dong	1,487,660			
10	Shirley L. Xiao	1,446,849			

(3) Controlling shareholders and beneficial controllers

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

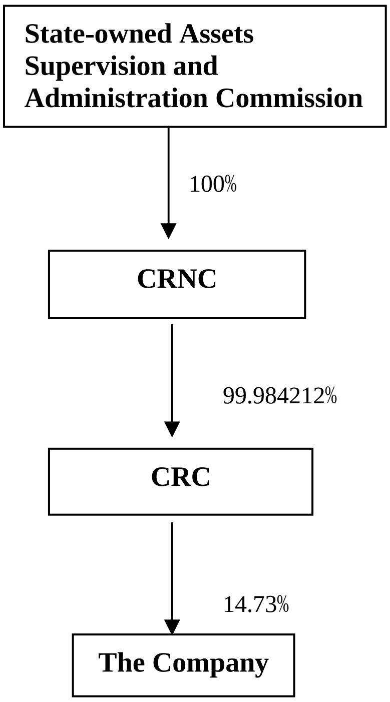
(4) The single largest shareholder

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

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

CRNC has a registered capital of approximately RMB9,662 million. Its major asset is 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. Bond holdings of the Company's bondholders (as at 31 December 2009)

(1) Name of the top 10 bondholders of 08 Vanke G1 bonds and their bond holdings

No.	Bondholder	No. of bonds held	Percentage of bond holdings
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 Life Insurance Company Limited	2,619,042	8.73%
5	China Ping An Life Insurance Company Limited – Traditional – General Insurance Products	2,218,727	7.40%
6	China Life Property and Casualty Insurance Company Limited –Traditional – General Insurance Products	1,820,000	6.07%
7	China Life Pension Company Limited – Internal Resources	1,000,000	3.33%
8	China Property & Casualty Reinsurance Company Ltd.	776,162	2.59%
9	Ping An Property and Casualty Insurance Company of China –Investment-oriented Insurance Products	751,630	2.51%
10	Generali China Life Insurance Co., Ltd – Investment-linked Insurance Products – Stock Account	713,500	2.38%

Note: China Ping An Life Insurance Company Limited, which manages "China Ping An Life Insurance Company Limited–Traditional–General Insurance Products", and Ping An Property and Casualty Insurance Company of China, which manages "Ping An Property and Casualty Insurance Company of China–Investment-oriented Insurance Products", are subsidiaries of Ping An Insurance (Group) Company Of China Limited. 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	Percentage of bond holdings
1	ICBC Credit Suisse Credit Tianli Bond Securities Investment Fund	2,346,450	8.09%
2	ICBC Credit Suisse Asset Management Co., Ltd – ICBC – Assets of Specific Clients(工银瑞信基金公司－工行－特定客户资产)	2,271,824	7.83%
3	China National Machinery Import & Export Corporation	1,946,689	6.71%
4	206 Portfolio of National Social Security Fund, PRC	1,431,065	4.93%
5	Fullgoal Tianfeng Surging Income Bond Securities Investment Fund	1,364,770	4.71%
6	Bank of Communications Schroder Principal-Protected Mixed Securities Investment Fund	1,238,331	4.27%
7	801 Portfolio of National Social Security Fund, PRC	959,778	3.31%
8	ChinaAMC Strategic Select Flexible Allocation Mixed Securities Investment Fund（华夏策略精选灵活配置混合型证券投资基金）	790,609	2.73%
9	Harvest Stable Growth Open-end Securities Investment Fund	709,798	2.45%
10	CITIC Securities Ltd – CITIC – CITIC Securities Bond Selected Asset Management Scheme	705,987	2.43%

Note: “ICBC Credit Suisse Credit Tianli Bond Securities Investment Fund” and “ICBC Credit Suisse Asset Management Co., Ltd– Assets of Specific Clients” are managed by ICBC Credit Suisse Asset Management Co., Ltd. Citic Securities Company Limited, which manages the “CITIC – CITIC Securities Bond Selected Asset Management Scheme”, is the controlling shareholder of China Asset Management Company Limited, which manages the “ChinaAMC Strategic Select Flexible Allocation Mixed Securities Investment 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 of 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. and Central China Real Estate Limited, respectively.

Song Lin, male, born in 1963. He graduated from Tongji University with a bachelor of science degree in engineering mechanics in 1985. Mr Song joined CRH in 1986 and became a Director of CRH in 1998. In 2000, he became Executive Director and Deputy General Manager of CRH, and Managing Director of China Resources Enterprise Limited, as well as the Chairman of China Resources Logic Limited and China Resources Power Holdings Company Limited. He became a Director of CRC in 2003, and the Managing Director of CRC in 2005. He had been the Chairman of CRL since 2006. At present, Mr Song is the Chairman of CRH and CRC, as well as the Chairman of China Resources Power Holdings Company Limited, and China Resources Microelectronics Limited, and an Independent Non-executive Director of Geely Automobile Holdings Limited. He has been a Director of the Company since 2001. At present, he is the Deputy Chairman of the Company.

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. During 1990 to 2003, Mr Sun act 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. At present, Mr Sun is the Chairman of Ping An Bank Limited and a Director of Ping An Life Insurance Company of China, Limited, Ping An Property & Casualty Insurance Company of China, Limited, China Ping An Trust & Investment Co., Limited and Ping An Annuity Insurance Company of China, Limited. He has been a Director of the Company since 1995. He became an Executive Director in 1997 and Deputy Chairman of the Company in 1998. He was an Independent Director of the Company from 2001 to 2008. He has become the convener of the remuneration and nomination committee of the Board of the Company, and a member of the audit committee since 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 the CRNC in 1984, Deputy General Manager of the Human Resources Department of CRH in 1988, and the General Manager of Max Share Limited, a subsidiary of CRH, in 1995. Mr Wang has been the Director and Assistant General Manager of CRH since 2000. He has become Managing Director of CRL since 2001. He is a Director and Deputy General Manager of CRH, and the Chairman of CRL. He has been a Director of the Company since 2002.

Shirley L. Xiao, female, born in 1964. She graduated from Wuhan University, majoring in English Literature in 1984. She obtained a master's degree in Business Administration from China Europe International Business School in 2000. She had worked in Central South University of Technology, China Technology Data Import & Export Co. and Mitsubishi Corporation Shenzhen Office. She joined China Vanke in 1994 as the Deputy Director of the General Manager's Office. She became the Director of the General Manager's Office in 1996 and the Director of the Office of the Company's Board in 2004. She was the Secretary of the Board of Directors from 1995 to 2009. 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. From 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 China Resources National Corporation 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, the Financial Controller of CRC in 2003 and a Director of CRC in 2005. At present, Mr Jiang is a Director and the Financial Controller of CRH, a Director and Financial Controller of CRC, a Director of China Resources Enterprise, Limited, China Resources Power Holdings Company Limited, CRL, and a Non-executive Director of China Asset (Holdings) Limited, an Executive Director of Cosmos Machinery Enterprises Limited and an Independent Director of Greentown China Holdings Limited. He became a member of the Supervisory Committee of the Company in 2001 and has been a director of the Company since 2005. He has been a member of the audit committee and a member of the investment and decision-making committee of the Board of the Company since July 2005.

Brief introduction to independent directors

David Li Ka Fai, male, born in 1955. He graduated from London City University in the UK in 1978. He is a FCPA of Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England & Wales, a fellow member of the Association of Chartered Certified Accountants and Institute of Chartered Secretaries and Administrators. At present, he is the Deputy Managing Partner of Li, Tang, Chen & Co. Certified Public Accountants and an Independent Non-executive Director and the Chairman of the audit committee of China-Hongkong Photo Products Holdings Ltd., an Independent Non-executive Director and Chairman of the audit committee of Cosmopolitan International Holdings Ltd., an Independent Non-executive Director and a member of the audit committee of China Merchant Holdings (International), and an Independent Non-executive Director and a member of the audit committee of CATIC International Holdings Limited. He has been an Independent Director and the convener of the audit committee of the Company since 2005.

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

Qi Daqing, male, born in 1964. Mr Qi graduated from College of Business, Michigan State University in the USA and obtained a PhD in accountancy. Mr Qi obtained a master’s degree in management from University of Hawaii in the USA and a dual bachelor’s degree in biophysics and international journalism from Fudan University. He had worked for The Chinese University of Hong Kong and Eli Broad Graduate School of Management of Michigan State University in the USA, Center for East-west studies in the USA and special correspondent foreign affairs department in Xinhua News Agency. He is currently a professor and Vice President of Cheung Kong Graduate School of Business, member of American Accounting Association, Independent Director of Sohu.com Inc. and Focus Media Inc. which are listed on the NASDAQ, and Independent Director of Honghua Group Ltd and CTV Golden Bridge International Media Co, Ltd. which are listed in HK. 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.

Charles Li, male, born in 1961. He graduated from the College of Foreign Languages and Cultures of Xiamen University in 1984 with a bachelor of arts degree. Mr Li obtained a master’s degree in journalism from the University of Alabama and a SJD from Columbia University School of Law. He had worked as a lawyer in Davis Polk & Wardwell, a well-known American law firm, and the New York Headquarters of Brown & Wood. He joined Merrill Lynch Securities in 1994, and has become the Managing Director and President of Merrill Lynch Securities (China) since 1999. Mr Li has become Chairman and Chief Executive Officer of JP Morgan (China) since 2003. He has been an Independent Director and convener of the investment and decision-making committee of the Company since 2008. Due to his forthcoming appointment at the Hong Kong Exchanges and Clearing Limited, Mr Li in December 2009 resigned as the Independent Director of the Company but will continue to hold office until his successor is appointed. He is currently a director and the Chief Executive of Hong Kong Exchanges and Clearing Limited.

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.

Zhang Li, male, born in 1959. He graduated from Jiangxi University majoring in political economics in 1985. He had worked in Jiangxi No. 2 Chemical Fertilizer Factory, Jiangxi University and Jiangxi Labour Bureau. He joined the Company in November 1992. He became the General Manager of Shanghai Vanke Property Management Company Limited in 1995, Deputy General Manager of Shanghai Vanke Real Estate Company Limited in 1996, Manager of the Company’s Corporate Planning Department in November 1998, Chairman and General Manager of Shenzhen Vanke Gift Manufacturing Co., Ltd in 1999. He resigned from the Company in 2000 and became the General Manager of Yuanda Real Estate Co., Ltd. In 2001, he joined the Company again as the General Manager of Beijing Vanke. He became the Director of the Property Management Department of the Company since 2002. He has become a member of the Supervisory Committee of the Company on behalf of the Staff Committee since 2004.

Fang Ming, male, born in 1958, holds a bachelor's degree in economics from Shandong University, an LLM degree from Nankai University and a degree of Doctor of social sciences from the Chinese Academy of Social Sciences. He had worked as a Deputy Researcher at the Chinese Academy of Social Sciences. Mr Fang joined CRH in 1993. He had been the Senior Manager of the Research Department of CRH, the General Manager of the Capital Operation Department of CRNC, the Assistant General Manager and the Deputy General Manager of the Corporate Development Department of CRH. He is currently the the Board Secretary of CRC, the Vice President of China Resources Medications Group Limited, Deputy Chairman of Wandong Medical Equipment Co., Ltd., and a Director of Sanjiu Medical & Pharmaceutical Co. Limited and Dong E E Jiao Co., Ltd., respectively. Since December 2005, he has been a member of the Supervisory Committee of China Vanke.

Brief introduction to senior management

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

Xu Hongge, male, born in 1971. He graduated from Southeast University in 1994 with a bachelor's degree in architecture. He joined China Vanke in 1994. He had been the Deputy Manager of Shenzhen Wanchuang Architecture and Design Consultancy Co. Ltd., the Executive Deputy General Manager of Shenzhen Vanke Real Estate Co., Ltd. and the General Manager of Shenzhen Vanke Real Estate Co., Ltd. He has been the Deputy General Manager of the Company since August 2005. He is currently an Executive Vice President of China Vanke.

Liu Aiming, male, born in 1969. He graduated from the Department of Civil Engineering, Tsinghua University with a bachelor's degree in building and structural engineering in 1991 and obtained a master's degree in building materials from Tsinghua University in 1993. He had worked in China Overseas Construction (Shenzhen) Co., Ltd as Director, Assistant General Manager as well as the Manager of the Property Department. He became the Managing Director of China Overseas Construction (Shenzhen) Co., Ltd in 2001 and the Deputy General Manager of Zhonghai Real Estate Co., Ltd. in 2002. He joined the Company in 2002 as the Deputy General Manager. He is currently an Executive Vice President of China Vanke.

Ding Changfeng, male, born in 1970. He graduated from Peking University with bachelor's degree in international politics in July 1991. He obtained a master's degree in global economics from Peking University in 1998. He had worked for Jiangsu Yancheng Party School. He joined China Vanke in 1992 and became Deputy Director of the Research Centre of the General Manager's Office of the Company in August 1994. He was the Chief Editor of "Vanke Periodical" in 1995 and the Assistant to the General Manager of Northeast Operation and Management Department of the Company in January 1996. He was the Deputy General Manager of Northeast Department of the Company in 1997 and the Deputy General Manager of Shanghai Vanke Real Estate Co., Ltd. in 1998. He became the Manager of the Company's Corporate Planning Department in 1999, and the General Manager of Shanghai Vanke Real Estate Company Limited in 2000. He has been the 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 the 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 the Deputy General Manager and became the Design Director of the Company in

2003. He became the 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, the Deputy General Manager of the Company in March 2000, and the Executive Deputy General Manager of the Company in 2001. He resigned from the Company and became the Executive Deputy General Manager of Beijing Rongke Zhidi Real Estate Co., Ltd. in March 2003. He joined the Company again as the Deputy General Manager in October 2004. He is currently an Executive Vice President of China Vanke.

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

Wang Wenjin, male, born in 1966. He graduated from Zhongnan University of Economics and Law in 1994 with a master's degree. He is a registered accountant in the PRC. He had worked for Hefei No. 10 Plastic Factory and Anhui Optical Sophisticated Mechanic Research Centre of China Academy of Sciences. He joined the Company in 1993 and became the Deputy Manager of the Company's Finance Department in 1998. He was the General Manager of China Vanke's Finance Department in 1999, and has been 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.

Tan Huajie, male, born in 1973. He graduated from the First Faculty of Mechanical Engineering of Huazhong University of Science and Technology in 1993. He joined the Company in January 2001. He was appointed as the Manager of the Customer Relations Department in December 2003, and became the Chief Researcher and Deputy Director to the Office of the Board of Directors in October 2004. Since February 2008, he has been the Director to the Office of the Board of Directors. He has been appointed as the Secretary to the Board of Directors since March 2009.

(2) Remuneration and changes in shareholdings of Directors, Members of Supervisory Committee and Senior Management during the year under review

The Company continued to follow the principle of its remuneration policy, which is "to offer competitive salaries according to market principles to retain and attract high-calibre professionals". The remuneration of the Company's senior management members was determined not only with reference to market level but also in accordance with the growth in the overall operating results of the Company. In 2009, there had been a rapid recovery in the property market, and the Company's results regained growth momentum, achieving new records. This was reflected in the remuneration of the Company's senior management, while the remuneration of those directors and members of Supervisory Committee who were not employed by the Company were determined at shareholders meeting.

During the year under review, the aggregate amount of remunerations of the 13 directors, members of Supervisory Committee and senior management who were employees of the Company was RMB44.42 million. Among the directors and members of Supervisory Committee who were not employed by the Company, three directors, namely Mr Song Lin, Mr Wang Yin, and Mr Jiang Wei and Mr Sun Jianyi, each received a remuneration amount of RMB180,000 (before tax). Independent DirectorsMr David Li Ka Fai, Ms Judy Tsui Lam Sin Lai, Mr Qi Daqing and Charles Li each received independent director's remuneration of RMB300,000 (before tax); Mr Fang Ming, a member of the Supervisory Committee, received a remuneration of RMB180,000 (before tax). Mr Song Lin, Mr Wang Yin, Mr Jiang Wei and Mr Fang Ming also received salaries from CRH, 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 2009	Number of shares held at the end of 2009	Reasons for changes	Total remunerations received from the Company during the year under review (RMB'000)	Any remunerations received from shareholders or other connected entities
Wang Shi	Chairman	M	59	2008.4~	6,817,201	6,817,201		5,903	Yes
Yu Liang	Director, President	M	45	2008.4~	4,106,245	4,106,245		5,200	No
Ding Fuyuan	Chairman of Supervisory Committee	M	60	2007.4~	2,018,408	2,018,408		3,302	No
Song Lin	Deputy Chairman	M	47	2008.4~	0	0		180	Yes
Sun Jianyi	Director	M	57	2008.4~	692,236	692,236		180	No
Wang Yin	Director	M	54	2008.4~	0	0		180	Yes
Jiang Wei	Director	M	47	2008.4~	0	0		180	Yes
David Li Ka Fai	Independent Director	M	55	2008.4~	0	0		300	*No*
Judy Tsui Lam Sin Lai	Independent Director	F	55	2008.4~	0	0		300	No
Qi Daqing	Independent Director	M	46	2008.4~	0	0		300	*No*
Charles Li	Independent Director	M	49	2008.4~	0	0		300	No
Fang Ming	Member of Supervisory Committee	M	52	2007.4~	0	0		180	Yes
Zhang Li	Member of Supervisory Committee	M	51	2007.3~	1,036,204	1,036,204		1,998	*No*
Liu Aiming	Executive Vice President	M	41	2002.12~	1,650,978	1,650,978		3,404	No
Ding Changfeng	Executive Vice President	M	40	2001.2~	1,487,660	1,487,660		3,403	No
Xie Dong	Executive Vice President	M	45	2004.3~	1,487,660	1,487,660		3,100	No
Zhang Jiwen	Executive Vice President	M	43	2004.8~	1,548,950	1,548,950		3,403	No
Mo Jun	Executive Vice President	M	43	2004.10~	1,548,950	1,548,950		3,099	No
Xu Hongge	Executive Vice President	M	39	2005.7~	1,650,978	1,650,978		3,402	No
Shirley L Xiao	Director, Executive Vice President	F	46	2007.10~	1,446,849	1,446,849		3,000	No
Wang Wenjin	Executive Vice President	M	44	2007.10~	1,343,591	1,343,591		3,204	No
Tan Huajie	Secretary to the Board	M	37	2009.3~	0	0		2,001	No
Total	–	–	–	–	26,835,910	26,835,910	–	**46,519**	–

(3) Change and reasons for the change in Directors, Members of the Supervisory Committee and Senior Management during the year under review

At the Fourth Meeting of the Fifteenth Board of Directors held on 6 March 2009, Mr Tan Huajie has been appointed as the Secretary of the Board.

2. Number and Composition of Employees

As at 31 December 2009, there were 17,616 employees on the Company's payroll, representing an increase of 6.67 per cent from that of the previous year. The average age of the employees was 28.0.

Among the entire workforce, there were 3,411 employees engaged in the property development division, representing an increase of 2.06 per cent from the previous year. The average age of the staff working for this division was 31.9 and the average years of service were 4.28; in terms of education level, 0.41 per cent held doctoral degree, 16.56 per cent with master's degree, 67.22 per cent with university degree, 13.66 per cent with tertiary education and 2.14 per cent with education below tertiary level. Employees with university degree or above accounted for 84.20 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: 502 marketing and sales staff, accounting for 14.72 per cent and up by 3.93 per cent from the previous year; 1,686 professional technicians, accounting for 49.43 per cent and up by 2.99 per cent from the previous year; among the professional technicians, 973 were construction staff, accounting for 28.53 per cent, 369 were designers, accounting for 10.82 per cent and 204 were cost management staff, accounting for 5.98 per cent; there were 140 project development staff, accounting for 4.10 per cent. The number of management staff, including those working in the departments of finance, audit, IT, legal, human resources, customer relations and data analysis as well as senior management staff, was 1,223, accounting for 35.85 per cent and up by 0.08 per cent from the previous year.

There were 14,205 employees engaged in property management, up by 7.83 per cent from the previous year. The average age was 27.3 and the average years of service was 2.29. In terms of education level, 0.23 per cent held master's degree, 7.46 per cent with university degree, 13.63 per cent with tertiary education and 78.69 per cent with education below tertiary level. Employees with tertiary education or above accounted for 21.31 per cent of the total staff in the property management division.

VI. Corporate Governance Structure

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

China Vanke strictly complies with the requirements of the laws, regulations and regulatory documents governing listed companies and continues to fine-tune its corporate legal person governance structure and regulate its operation.

In 2009, the Company continued to intensify effort to improve its corporate governance. During the year under review, the Company, based on the existing system, established an independent system for the appointment of certified public accountant. In addition, the Company set up a system for managing inside information and insiders. While strengthening inspection of internal control and internal auditing, the Company continued with internal control development.

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

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

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

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

3. Execution of the Duties of the Independent Directors

In 2009, all independent directors continued to give independent opinions and constructive advice to the Company on its development strategies, important matters relating to operation and management, issues relating to project development, formulation of material rules, internal control development of the Company, remuneration scheme and accounting policies. With the active participation and promotion of the independent directors, the functions of the Board's specialised committees became more regulated.

Independent directors had actively participated in the inspection of the Company's projects. In the past year, they paid site visits to the projects in Fuzhou and Chongqing, etc, and conducted interviews during their visits; they acquired a deep understanding of the financial situation and progress of the implementation of business plans of various local companies, the differences between the planned and actual cost, procurement, construction schedule and sales of major projects. Through all of the above, the independent directors had a thorough knowledge of the operation and development of the Company.

In 2009, 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 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)
David Li Ka Fai	4	4	0	0	22	3	3
Judy Tsui Lam Sin Lai	4	2	2	0	21	0	0
Qi Daqing	4	3	1	0	22	3	3
Charles Li	4	2	2	0	21	0	0

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. In order to obtain objective statistics on staff and customers' satisfaction levels, the Company had appointed an independent third party to conduct survey.

The remuneration and nomination committee under the Board is responsible to study and supervise the establishment and implementation of appraisal, incentive and reward systems for senior management. Operating results of the President were appraised by the Board.

The remunerations of senior management staff are determined in accordance with the Company's operating results of the year under review, their performance with reference to 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.

VII. Summary of Shareholders' Meetings

1. The 2008 (21st) Annual General Meeting

The notice of 2008 Annual General Meeting ("AGM") was published in China Securities Journal, Securities Times, Shanghai Securities News and irasia.com, Hong Kong, on 10 March 2009. The last day for verifying the qualification of shareholders was 1 April 2009.

The AGM was held at 9:30 am on 10 April 2009 at Vanke Architecture Research Centre, No 63 Meilin Road, Futian District, Shenzhen. A total of 298 shareholders (proxies) attended the meeting, holding 3,821,726,516 shares, representing 34.76 per cent of the Company's total number of shares with voting rights. There were 145 shareholders (proxies) of A shares, holding 3,454,170,617 shares, representing 35.68 per cent of the Company's total number of A shares with voting rights. There were 153 shareholders (proxies) of B shares, holding 367,555,899 shares, representing 27.95 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 2008; (2) Report of the Supervisory Committee for 2008, (3) the Annual Report and audited financial report for the year 2008; (4) the resolution regarding the proposal on profit appropriation and dividend distribution for the year 2008; (5) the resolution regarding the appointment of auditors for the year 2009, (6) the resolution regarding the amendment of the Company's Articles of Association. The execution of the duties of the independent directors and the Company's involvement in the resettlement and reconstruction works in the affected area following the Sichuan earthquake were also reported at the AGM.

The announcement of the resolutions of the AGM was published in China Securities Journal, Securities Times, Shanghai Securities News and irasia.com, Hong Kong, on 13 April 2009.

2. The First Special General Meeting of 2009

The notice of the First Special General Meeting of 2009 ("SGM") was published in China Securities Journal, Securities Times, Shanghai Securities News and irasia.com, Hong Kong, on 27 August 2009. The last day for verifying the qualification of shareholders was 7 September 2009.

The on-site meeting of the SGM was held at 14:00 am on 15 September 2009 at Vanke Architecture Research Centre, No 63 Meilin Road, Futian District, Shenzhen. The period for online voting through the trading system of Shenzhen Stock Exchange ("SSE") was 9:30 to 11:30 and 13:00 to 15:00 on 15 September 2009; the time for voting through the internet voting system of SSE started from 15:00 on 14 September 2009 until 15:00 on 15 September 2009. A total of 777 shareholders (proxies) attended the meeting, holding 4,446,874,097 shares, representing 40.44 per cent of the Company's total number of shares with voting rights. There were 580 shareholders (proxies) of A shares, holding 3,995,387,028 shares, representing 41.27 per cent of the Company's total number of A shares with voting rights. There were 197 shareholders (proxies) of B shares, holding 451,487,069 shares, representing 34.33 per cent of the Company's total number of B shares with voting rights.

The SGM considered and approved (1) The Resolution Regarding the Company's Meeting the Conditions for Conducting a Public Offer of New A shares; (2) The Resolution Regarding the Proposal on the Public Offer of New A Shares, and passed as separate resolutions of each of the following items: type of shares to be issued and nominal value per share, issue size and the amount of proceeds to be raised, target subscribers, issue method and placing arrangement with existing shareholders, pricing method, use of proceeds from this offer, proposal on the entitlement to the Company's accrued profits as at and upon the completion of the share offer, location for listing of the shares to be issued, and validity period of the resolution regarding the share issue; (3) "The Resolution Regarding Submitting to the Shareholders' Meeting for Granting the Board the Mandate to Handle All the Matters Relating to the Public Offer of New A Shares"; (4) "The Resolution Regarding the Feasibility of the Planned Investment Projects Using the Proceeds Raised from the Public Offer of New A Shares"; (5) "The Resolution Regarding the Elaboration on the Use of Proceeds from the Previous Fund-raising Exercise in Specific Projects", and (6) "The Resolution Regarding the Establishment of Procedures for Appointing Accounting Firm".

The announcement of the resolutions of the SGM was published in China Securities Journal, Securities Times, Shanghai Securities News and irasia.com, Hong Kong, on 16 September 2009.

VIII. Directors' Report

1. Management Discussion and Analysis

Changes in market environment and management's opinion

Benefiting from favourable policies, resumed confidence, as well as pent-up demand, property transaction volume in 2009 increased significantly and hit record high. The sales area and sales amount of commodity housing for the full year reached 853 million sq m and RMB3,820 billion, representing increases of 43.9% and 80.0% when compared with those of 2008, respectively, and increases of 23.4% and 50.7% when compared with those of 2007, respectively.

In the first half of 2009, the commodity housing markets across the country in general regained its growth momentum, with sales area rising month on month. After the interim period, market trend began to vary in different regions. In the second half of 2009, the sales area of commodity housing in the PRC increased by 70.8% from that of the first half, while the sales area in the eastern, central and western parts of the PRC increased by 54.0%, 107.0% and 77.1%, respectively.

Housing price in the PRC in general rose during the year, the rise in prices in most of the central and western cities as well as cities below the second-tier ranking was seen as a rebound from the decline of housing prices in 2008; but the sharp increase in the prices of housing in some first-tier cities and popular cities was triggered by a number of factors: long-term factor such as rapid urbanisation leading to imbalance in demand and supply of certain residential properties, as well as the impact of unusual economic conditions – given the lack of investment options, the capital withdrawn from the physical economy had been transformed into demand for asset-backed investment and such demand of this kind was basically concentrated in a few popular cities.

In addition, the sharp volatility in the industry between 2007 and 2009 also aggravated periodical shortage in supply. Amid market depression in 2008, developers were forced to cut down new developments, causing the supply of new housing in the PRC to continue to fall short of transaction volume in 2009. According to the Company’s observation of 14 major cities, the sales area of commodity housing to approved pre-sales area of new housing ratio of the 14 cities in 2009 was 1.51, much higher than 1.04 in 2007 and 0.63 in 2008. The continued consumption of saleable inventory had sustained the decline in inventory level in the market kept declining during the year. The inventory level in most of the cities were currently at their lowest in recent years. The shortage of saleable inventory had added pressure on the surge of price in popular cities.

With clear signs of a recovery trend in sales and increased market confidence during the year under review, there had been a resumption in corporate investment demand and gradual acceleration in progess of project development; this phenomenon became more obvious after the interim period. A majority of the projects under construction in 2009 will translate into market supply in 2010. As such, the overall balance in supply and demand of new housing in 2010 will be improved.

In 2009, the improvement in the housing market also led to rapid recovery of the land market. There had been a sharp decline in the proportion of aborted land auctions and transactions completed at the reserve price after the first quarter. In the second half of the year, the starting price and hammer price in some major cities reached historical highs. The emergence of “supreme land lots” sold at extraordinary high prices in certain cities had drawn extensive attention. As of now, “supreme land lot” phenomenon only existed in a few popular cities. This is due to the ripple effect of the fast growing housing prices of popular cities on the land market, the land supply in these cities in general falling short of the sales volume of housing, and the need for replenishing land bank by developers who found their saleable resources quickly absorbed by the market. Moreover, since it was hardly feasible to develop new markets within a short time, much of the investment was concentrated in existing markets, which also led to intensified competition for land in these cities.

To further regulate the land market and improve the efficiency of land use, the Ministry of Land and Resources enhanced supervision and management of idle land since the second half of 2009. In order to optimise the system of transfer of land use rights through competitive bidding, public auction and public trading, as well as to strengthen management of land supply and development, five ministries in December issued the “Notice on further strengthening land transfer revenue and expenditure management”, requiring all the instalments of a land transfer fee to be paid within one year of the sale, while the land transfer fee for special projects to be paid within two years of the sale as agreed, as well as a down payment of not less than 50% of the total land transfer fee. After the implementation of the policy, enterprises should be more cautious when assessing their cost of capital at the time of project acquisition. This will prompt enterprises to be more rational when acquiring land and help cool the overheated land market of certain cities.

At the beginning of 2010, the State Council of the PRC issued the "Notice regarding the promotion of continuous healthy development of the property market" ("Notice"), which reaffirmed the positive implications of the previous rounds of measures while putting forward 11 opinions on the issues of soaring housing prices in certain cities. These opinions mainly focused on increasing the effective supply of low-income housing and ordinary commodity housing; reasonable guidance on housing consumption to curb home purchase for speculation and investment; strengthening risk control and market regulation; accelerating the progress of low-income housing construction. The "Notice", while affirming the importance of boosting housing supply, also paid great attention to guiding housing demand: guide residents to establish rational consumer behaviour by clamping down on home purchase for speculation and investment. The promulgation of the aforesaid policy has positive implications on easing the tight supply of housing, improving the industry standardisation, and promoting the healthy development of property market.

China Vanke has always believed that excessive growth in housing price is harmful to the long-term development of the industry. Only stable development is conducive for the industry. The Company always adheres to the principle of "no hoarding of land; no stalling of home sale", as well as a rapid development strategy. The Company remained rather cautious when acquiring land in 2009. China Vanke currently has a sound capital and financial positions, as well as healthy inventory structure. The Company believes the promulgation of the above-mentioned policies is comparatively favourable to enterprises with healthy operations.

Operating results and analysis

The Company's revenue and net profit for 2009 amounted to RMB46.05 billion and RMB5.33 billion, respectively, representing increases of 19.2% and 32.1% from those of the previous year, respectively. During the year under review, the Company's sales exceeded RMB60 billion for the first time; sales area and sales amount in 2009 reached 6,636,000 sq m and RMB63.42 billion, respectively, representing increases of 19.1% and 32.5% from those of 2008, respectively. The Company realised booked area and booked revenue of 6,052,000 sq m and RMB45.54 billion, respectively, in 2009, representing a year-on-year growth of 34.1% and19.3%, respectively.

In the Pearl River Delta region, the Company realised a sales area of 1,744,000 sq m and a sales revenue of RMB19.4 billion, accounting for 26.3% and 30.6% of the Company's total sales area and sales revenue, respectively; booked area and booked revenue amounted to 1,904,000 sq m and RMB15.44 billion, respectively, accounting for 31.5% and 33.9% of the Company's total booked area and booked revenue, respectively; net profit reached RMB1.92 billion, accounting for 32.5% of the Company's total net profit. In the Yangtze River Delta region, the Company realised a sales area of 1,893,000 sq m and a sales revenue of RMB20.38 billion, accounting for 28.5% and 32.1% of the Company's total sales area and sales revenue, respectively; booked area and booked revenue amounted to 1,770,000 sq m and RMB14.27 billion, respectively, accounting for 29.2% and 31.3% of the Company's total booked area and booked revenue, respectively; net profit reached RMB2.02 billion, accounting for 34.2% of the Company's total net profit. In the Bohai-Rim region, the Company realised a sales area of 2,015,000 sq m and a sales revenue of RMB16.61 billion, accounting for 30.4% and 26.2% of the Company's total sales area and sales revenue, respectively; booked area and booked revenue amounted to 1,681,000 sq m and RMB11.36 billion, respectively, accounting for 27.8% and 24.9% of the Company's total booked area and booked revenue, respectively; net profit reached RMB1.32 billion, accounting for 22.3% of the Company's total net profit. In the Central and Western Region, the Company realised a sales area of 984,000 sq m and a sales revenue of RMB7.03 billion, accounting for 14.8% and 11.1% of the Company's total sales area and sales revenue, respectively; booked area and booked revenue amounted to 697,000 sq m and RMB4.47 billion, respectively, accounting for 11.5% and 9.8% of the Company's total booked area and booked revenue, respectively; net profit reached RMB651 million, accounting for 11.0% of the Company's total net profit.

As at the end of 2009, the Company had an area of 3,745,000 sq m of project resources sold but not yet completed nor booked, representing an aggregate contract amount of RMB38.23 billion. This included an area of 3,435,000 sq m sold but not yet booked with a contract amount of RMB35.65 billion under the consolidated statements. In view of an improved market situation during the year under review, it is expected that there will be a relatively large increase in profit for to-be-booked resources. The above-mentioned to-be-booked resources will be recognised in 2010, providing strong support to the Company's achieving satisfactory profits in 2010.

In 2008, the Company, in accordance with the prevailing market conditions, made provisions for diminution in value of RMB1.23 billion for 13 projects with potential risks. At the end of the year under review, all the projects had been tested for impairment according to the latest market and sales situation, and in particular the Company made an assessment of the projects for which provisions for diminution in value was made at the end of 2008. Based on the test results, the full amount of provisions for diminution in value of nine projects had been reversed (written off) according to the requirements of the Accounting Standards for Business Enterprises. As at the end of 2009, there were still four projects, due to their size and uncertainty over their operation in subsequent periods, subject to provisions for diminution in value. Details on the changes in the provisions for diminution in value of inventory during the year under review are as follows:

(Unit: RMB'000)

No.	City	Project	Provision as at the start of the year	Provision as at the end of the year
1	Beijing	Blue Mountain（former Aureate City）	121,120	-
2	Chengdu	Jinrun Huafu	31,530	-
3	Nanjing	Golden Milestone (former Aureate City)	80,060	-
4	Nanjing	Jinyu Tixiang	63,590	-
5	Guangzhou	Aureate City	87,390	-
6	Shanghai	Castle Tudor	65,780	-
7	Tianjin	Holiday Dew Garden	70,230	-
8	Wuhan	Element Integration (former Aureate City)	40,280	-
9	Wuxi	Jinyu Tixiang（former Golden City）	53,910	-
10	Chengdu	Haiyue Huicheng	81,500	81,500
11	Chengdu	Golden Lingyu	216,120	216,120
12	Fuzhou	Golden Rongjun	152,170	152,170
13	Nanjing	The Paradiso	166,880	166,880
Total			**1,230,560**	**616,670**

During the year, the booked net margin of the Company's property business was 12.99%, representing an increase of 1.58 percentage points from that of 2008. Such increase reflects the effectiveness of the Company's cost control measures, as well as the reversal of provisions of diminution in value of inventory.

The booked gross margin of the Company's property business was 26.03%, down by 6.01 percentage points from that of 2008. Owing to the delay in revenue recognition in the property industry, decline in booked gross margin reflected the fall in prices during the adjustment period in 2008. Much of the Company's RMB27.34 billion resources sold but not yet booked at the end of 2008 were recognised in 2009, including four projects, namely Golden Rongjun, Fuzhou, Aureate City, Guangzhou, Jinyu Tixiang, Nanjing, Holiday Dew Garden, Tianjin, for which provisions for diminution in value was made at the end of 2008. Since the sales of these projects took place amid market depression, the gross margin was relatively low. Moreover, projects booked during the period under review also included low-income housing such as Huacao 213, Shanghai, Golden City, Shanghai, Everest Town, Guangzhou, which had relatively lower margins. In view of the fact that gross margin in 2009 was significantly higher than the booked gross margin, it is expected that there will be a relatively large increase in the booked gross margin in 2010.

At the beginning of 2009, the Company set its planned area of newly commenced construction and completed area at 4,030,000 sq m and 6,190,000 sq m for the full year. In 2009, the Company's actual area of newly commenced construction amounted to 5,609,000 sq m, representing a 39.2% increase when compared with the planned area at the beginning of the year, and completed construction area amounted to 5,364,000 sq m, representing a 13.3% decrease from the planned area at the beginning of the year. The shortfall in actual completed construction area was mainly attributable to the extended construction schedule, which was caused by road reconstruction, organisation of sporting events, product revamp to meet market needs and the adjustment of development schedule in order to meet the standard construction schedule under strict quality control, etc.

Having witnessed rounds of market consolidation in the past few years, China Vanke was more cautious on project acquisition in 2009. In some cities where the housing prices and land premium rose sharply, the Company upheld the principle of “Would rather miss than make mistake”, and avoided as well as restrained from acquiring land lots for which competition was extremely fierce. In 2009, the Company had 44 newly added projects, most of which were located in second and third tier cities where owner-occupation constituted the mainstream demand, with only modest surge in housing prices. The accommodation value of the newly added projects was approximately RMB2,401 per sq m, representing a 29.5% decrease when compared to that of 2007. The land premium of the newly added projects attributable to China Vanke’s equity holding amounted to approximately RMB24.82 billion, accounting for 42.0% of the Company’s sales amount in the same period. Considering the growth to be achieved in the next three years, the aforesaid percentage was considered a stable and appropriate proportion. As at the end of 2009, the GFA of the projects under planning attributable to China Vanke’s equity holding amounted to 24.39 million sq m, which could basically meet its development needs in the coming two to three years.

At the end of the year under review, the Company’s inventories included RMB5.31 billion of completed properties (properties ready for sale), accounting for 5.9%; RMB 41.87 billion of properties under development (including 3,435,000 sq m of properties sold but not yet booked and involved a contract value of RMB 35.65 billion), accounting for 46.4%; RMB43.26 billion of properties held for development (corresponding to the Company’s projects under planning, in which some projects will commence construction in the first quarter of 2010), accounting for 47.8%.

The Company continued to maintain a healthy financial position. As at the end of the year under review, the cash and cash equivalents held by the Company amounted to RMB23.0 billion, representing an increase of 15.1% when compared to that at the beginning of the year. The aggregate amount of the Company’s short-term borrowings and long-term borrowings due within one year was RMB8.63 billion, representing a decrease of 51.7% when compared to that at the beginning of the year. The net gearing ratio was 19.7%, representing a decrease of 13.4 percentage points when compared to that at the end of 2008.

The Company insisted on a stable and healthy operation strategy. Over the years, the Company has established excellent credibility and cooperative relationship in the financial community and such relationship stems from mutual understanding and trust. As such, the Company has a wide range of sources of funding. During the year under review, the Company entered into a “Strategic Collaboration Agreement” with China Construction Bank Corporation, further strengthening their long-established strategic collaborative relationship, and obtained a credit line of RMB50 billion from China Construction Bank Corporation. In the future, the Company will continue to forge extensive collaboration with various banks on property development loans, bank guarantees and acceptance bills.

Review on the Company’s management in 2009

In 2009, the Company persevered with its existing development strategy, which focused on the enhancement of operation quality, management efficiency and the Group’s professionalism. The Company actively pushed ahead with the change of its development focus from “scale and speed” to “quality and efficiency”.

During the year under review, the Company intensely pursued cost optimisation. With the application of cost benchmarking, the Company established a cost and market price database, strictly controlling project costs and determining the most economical standards for the choice of building and decoration materials and process. At the beginning of 2009, the Company proposed to lower its administrative expenses and distribution costs as a percentage of revenue in 2009 by 20% when compared with that of 2008. Through streamlining management process, adopting stringent control and supervision of expense budget, strengthening market and customers research in marketing, and optimising its advertising costs, the absolute value of the Company’s administrative expenses and distribution costs in 2009 dropped by 5.8% and 18.6%, respectively, year on year, despite growth in sales scale and booked scale. The aggregate amount of administrative expenses and distribution costs as a percentage of revenue decreased by 26.9% when compared to that of the previous year, which exceeded the target set at the beginning of the year under review.

In 2009, the Company continued to apply furbished units strategy. Furbished units as a percentage of the area of newly commenced construction of the Company rose from 60% in 2008 to 79.5% in 2009. Compared to traditional roughcast housing units, the marketing of furbished units would not only help customers save considerable costs and time in furbishing their properties, but also reduce secondary pollution resulting from separate furbishing by customers, thereby lowering the consumption of construction waste and in line with the energy saving and environmental friendly concept. Certain regions and cities were currently introducing various measures to promote fully furbished housing units. In the future, as consumers become more experienced with the market, furbished units as a percentage of housing units will continue to rise. As the first enterprise in adopting furbished units strategy, the Company has gained extensive experience and recognition in the relevant sector, which will become an unique advantage in competing in the market in the future.

The Company realized that even the market had turned positive, it should not treat product quality lightly. The increasing proportion of furbished units had propelled the Company to set higher standards for project management process, property construction quality and property maintenance. During the year under review, the Company strictly implemented the system of "standard schedule", "construction according to the blueprint" and "actual survey, actual measurement" to ensure a reasonable construction schedule and to control defected delivery. The Company organised project quality benchmarking training for frontline companies, where extensive exchanges were made on the standards for project management, construction methods, techniques and solutions to management of furbished units. Based on the training, each frontline company set its quality targets according to its operation status. The frontline company put forth detailed measures to improve quality in various aspects, including identifying premium supply contractors, establishing a system to manage the entire procurement process, fully leveraging the active role of project supervisors and managers, tightening the control of shifts management and quality site work, and increasing internal awareness of quality and exquisiteness.

As the number of projects and operation scale of the Company expanded, standardisation and centralisation became increasingly important for the Company to achieve streamlined and efficient management and to fully leverage economies of scale. During the year under review, the Company dedicated its efforts to achieve fast replication of mature standardised products and standardisation for building and decorative materials for furbished units. Through these efforts, the Company strengthened centralised procurement. The Company had set the standards for C-grade furbished units and promoted them within the company. In August, the Company ended its nation-wide tender offer for materials for C-grade furbished units, and achieved satisfactory results in the introduction of energy-saving materials, enhancing the quality for building and decorative materials and lowering purchasing cost. The categories of products bought through group purchase increased from 12 in 2008 to 24. The Company had save approximately 12.3% of its purchasing cost.

The Company gained recognition for its dedication to housing prefabrication. In 2009, #B3 and #B4 of Holiday Town Project developed by Vanke and COFCO were named as the "Pilot Project of Housing Prefabrication in Beijing". #B3 and #B4, being the first prefabricated housing project by Vanke Beijing, had used new techniques and technologies such as prefabricated exterior wall panels and full furbishing. Compared with traditional construction method, there had been significant advantages in saving energy, material, water and land, as well as in the aspects of development cycle and being environmental friendly. Since the launch in mid 2009, the project had received positive market response. During the year under review, Vanke Architecture Technology Research Center, Dongguan, was granted the certificate of high technology and new technology enterprise jointly issued by Guangdong Science and Technology Department, Guangdong Provincial Finance Bureau, Guangdong Municipal Office of the State Administration of Taxation and Guangdong Provincial Local Taxation Bureau, thereby becoming the first in the industry to be recognised as a high technology and new technology enterprise.

During the year under review, the Company, heeding for the development trend of a low-carbon economy, actively involved in green construction research and promotion. “To be an outstanding green enterprise” has become an integral part of the Company’s mid-to-long term development strategy. In accordance with the PRC’s “Green Building Evaluation Standard”, the Company preliminarily formulated “China Vanke’s housing performance standard” and applied it in its projects. In June 2009, Phase 4 of the Dream Town, Shenzhen was the sole residential project in the PRC to be awarded the Three Star certification under the “Green Building Design Evaluation Criteria”. In 2009, China Vanke was elected by Fortune China as one of the “10 Green Companies” for its achievement in the research on prefabrication and urban low-income residential properties. In September, the Company moved its headquarters from Vanke Architecture Research Centre, No 63 Meilin Road, Futian District, Shenzhen to Vanke Center, No. 33 Huanmei Road, Dameisha, Yantian District, Shenzhen. The new headquarters was built to the US LEED Platinum Level and is currently in the process of applying for certification, with the possibility to become a green benchmark for global large-scale integrated complex.

During the year under review, following the inauguration of the first batch of post-quake permanent public utilities funded by the Company, including Zundao School and hospital, Zundao Kindergarten, Government Administrative Centre, Xiang’e Government Administrative Centre and Zundao Lihua Square, for which construction was funded by the Company, was completed and ready for use. All these buildings meet the highest seismic performance level. In additional, the Company funded the construction of school, hospital and other public utilities in Pengzhou, Nanjiang, Mingshan, Yaan, etc. According to an independent audit report prepared by a third party, an aggregate amount of RMB124,622,000 was donated to Sichuan by the Company, the Vanke Charity Foundation, the Company’s employees and business partners, including RMB100,392,000 in accordance with the amount approved and authorised by the First Special General Meeting of 2008 and RMB2,200,000, which was allocated from the Company’s corporate citizenship special project fund. The expenses incurred in the relief work offered by the branch companies amounted to RMB2,195,000, staff donations amounted to RMB11,655,000, donations by China Vanke’s business partners amounted to RMB4,180,000 and donations from China Vanke’s Charity Foundation amounted to RMB4,000,000.

In 2009, China Vanke was named as the World’s No. 1 Developer in the residential property category in the “Best Global Developer” selection by Euromoney. The Company was named for the seventh time “The Most Respected Enterprise in the PRC” jointly organised by The Economic Observer Newspaper and the Management Case Center of Peking University. According to the research report on “2009 Top 100 Property Development Enterprises in the PRC” jointly issued by three research institutions, namely Enterprise Research Institute of Development Research Centre of the State Council of the PRC, The Institute of Real Estate Studies of Tsinghua University and the Institute of China Index, China Vanke was named as the No. 1 property developer in the overall strengths category. In 2009, China Vanke was named again by Forbes as one of the Asia’s Fabulous 50. China Vanke was named to Fortune China’s list of “2009 Most Praised PRC Enterprise”, and ranked first in the real estate industry category.

According to the customers’ satisfaction survey conducted by Gallup Market Research Corporation, the satisfaction levels in 2009 rose. Four projects of the Company, namely Phase I, II and III of Wonderland in Beijing, Dream City in Guangzhou, Phase 1 of Glamorous City in Shenyang and The Peninsula, Wonderland in Wuhan received the “Golden Prize of Excellent Residential Community of Zhan Tianyou Award in 2009”, for their outstanding quality, energy-saving and environmental friendly attributes, as well as excellent planning and technology. Phase 1 of New Elm Mansion in Shenyang won the title of Excellent Planning for

Residential Community of Zhan Tianyou Award from China Civil Engineering Society. In the “2009 China Top 100 Property Management Companies” selection organised by “China Real Estate Top10 Research Group”, China Vanke was named as one of the “2009 China Top 100 Property Management Companies” and ranked first among “Top10’s Best Service Quality of Top 100 Companies”.

The Company’s brand value was widely recognized. China Vanke won the title of “CCTV 60 Years 60 Brands” in the “CCTV 60 Years 60 Brands” selection hosted by CCTV, organised by “Global Brand” Channel of CCTV.cn, and supported by the finance channel of CCTV, CCTV Mobile, and CCTV for mobile phone. Chairman Wang Shi was also awarded the “Outstanding Contribution to PRC Brands”. Hewitt Associates, a global human resources consulting firm, named China Vanke as one of the “Best PRC Employers in 2009”, which was the sole real estate enterprise among the 10 enterprises on the list.

During the year under review, the Company persevered with improving investor relations. In the election for “The Golden Bull Awards for the Top 100 China Listed Companies” organised by China Securities Journal, the Company won the Golden Bull Award for its sustainable and stable development. In the election for Valuable China Listed Companies cum the First Edition of The Most Popular China Listed Company’s Website Among Investors organised by Securities Times, China Vanke received the titles of The Top 100 China Listed Companies in terms of Value, Outstanding Management Team of China Listed Companies, The Best Corporate Social Responsibility Companies Listed in China, The Most Popular Listed Company’s Website Among Investors, and The Best Website for Information Disclosure.

Future development prospects

In 2010, the Company will focus on “Growth in Performance” and “Green Strategy”. While ensuring healthy operation, the Company will endeavour to drive its performance and enhance its market position. The Company will also move towards becoming a green enterprise, and make progress in the development of investor and customer relations, staff, products, and services.

In view of rapid increase in housing prices in certain cities, the government has introduced a series of regulatory measures since 2010, to direct the residential property market to reasonable development. The above-mentioned factors, to certain extent, have impact on home purchase sentiment, and may increase market uncertainty and transaction volatility in the short run. Yet, they have positive implications on the healthy development of the housing market. The Company will adhere to the operating strategy of “no hoarding of land; no stalling of home sale”, striving to boost sales and actively respond to market changes.

The Company will remain cautious on project investment, and adopts a prudunt approach in land acquisition, fully leverage the edge of its geographical diversification strategy, and utilise various collaboration approaches. The Company will continue to optimise utilisation of its land bank in various markets, acquiring premium land lots at reasonable price, to ensure balanced development among different cities and regions and the existing land bank is sufficient to meet the Company’s stable development in the next three years. In 2010, the newly added projects of the Company will mainly be used for residential development to meet demand from end-users.

On the front of project development, based on the existing project development schedule, the Company expects that area of newly commenced construction in 2010 will be 8.55 million sq m, representing 52.5% increase from that of 2009. Affected by the actual progress of the related procedures and preparation work prior to the commencement of construction, part of the projects which were scheduled to commence construction at the end of 2009 was postponed to the first quarter of 2010. The Company’s actual area of newly commenced construction was therefore slightly lower than the planned area adjusted during the interim period, which in turn led to an increase in the planned area of newly commenced constrution in 2010. Since the proportion of furbished units in newly commenced projects continues to increase in recent years, and before the proportion of fully furbished units and furbished units is stabilised, the period between the overall completion date and the date of commenced construction and date of product launch will be extended. It is expected that the completed construction area will be 5.04 million sq m in 2010, representing a drop from that of 2009. In view of the significant increase in profitability in the resources sold but yet to be booked at the end of 2009, the increase in the Company's net profit in 2010 will not be greatly affected by the aforesaid. The Company will rationally fine-tune the construction commencement schedule according to its sales progress, in order to maintain a healthy inventory level.

With the adjustment to urban development and urban planning, there is an increase in the proportion of commercial auxiliary facilities in the new projects disposed in recent years. The Company's ability to compete in this area will, to a certain extent, affect project acquisition in the future. Moreover, along with the expansion in the scale of the Company's project development and property management, the Company faces the challenge of effective management of commercial auxiliary facilities in residential projects to improve project value and customers' quality of living. Based on these demands, the Company will not only continue to pursue a business model of mainstream residential property development, but also try to develop other types of properties that are complimentary to residential properties, and gradually develop the skills in non-residential business. Meanwhile, the Company will study the change in urban population structure and the trend for diversified housing requirements, and pay attention to new emerging residential markets such as homes for elderly and vacation properties.

Improving product quality is an on-going task. The Company will formulate a quality satisfaction improvement plan and an implementation follow-up plan. To ensure smooth implementation of the furbished units strategy, the Company will take action in four areas, namely blueprint standardisation, prefabrication, visualization of management and orderly arrangement of construction sites, so as to enhance the guidance function of the blueprint of furbished units, strengthen standardisation of the management process, and reduce mistakes during construction.

In order to further augment the overall operational quality and brand recognition of projects, the Company will leverage its expertise and resources as well as fully utilise successful and outstanding projects in the industry as reference, to develop an array of benchmark products and premium projects with influential power in the industry for each product category. By reproducing the development process of these projects across the country, the Company can consolidate its competitive edge in product development.

Price performance ratio is the standard of measurement of product quality. In other words, quality and performance provided to customers should excel the market average. The Company will continue to strictly adhere to its "quality first" philosophy, as well as enhance communication with its customers, while improving customers' recognition of product quality. On the front of product performance, the Company will emphasise convenience, comfort, energy saving and environmental friendly aspects of the products when being used.

The Company will continue to expand the range of standardized product categories as a systematic means to improve China Vanke's product quality and operation efficiency. The Company will fine-tune its standardised product categories in all aspects, including product inventory, style, furbished units, landscape and performance, and provide products with high price performance ratio that fit for the Company's scale of development. In 2010, the proportion of standardised products used in new high rise products is planned to reach 30 per cent.

In 2010, the Company will persevere with its "Ease and Safety" service objective, by developing an integrated service system comprising property development and property management. This is to maintain its leadership in the basic service sector and improve its property operations. In addition, the Company will try to introduce value added services according to customers' actual requirements, so as to increase their loyalty.

The ideas of low-carbon economy, energy saving and environmental friendly are increasingly popular. The property industry will play an important role in energy saving and emission reduction. Whether the Company will be the first to complete transformation into a green enterprise is crucial to compete in a market with the backdrop of a green economy. 2010 will be a critical year for China Vanke to translate theory of green architecture into practice. The Company will complete formulating a 10-year green development plan. With this plan and utilisation of the Company's advantages in prefabrication and furbished units, the Company will push forward with energy saving construction. The Company plans to have all of its newly commenced apartment projects in 2010 to be fully furbished, with an area of 1 million sq m of prefabricated structures. All the new projects are to meet China Vanke's housing performance standard, and an area of 1 million sq m will be designed and built according to the green standard requirements of Three Star certification. In addition, the Company will also actively support the running of China Vanke Pavilion in the World Expo, Shanghai, and use it as a major marketing platform for the Company's green idea and as the highlight of the Company's green strategy implementation.

On the front of organisational management, the Company will in 2010 streamline and strengthen its management, starting from the headquarters, to meet its business development needs. It includes redefining the functions of the departments in the headquarters, streamlining the management, reducing items for approval, and improving organizational efficiency. The Company's headquarters will also provide additional support to the front-line companies and encourage them to fine-tune their organizational structure and approval process according to their business development needs.

Along with a gradual recovery in the macro economy of the PRC, there is a possibility of minor adjustments in the relaxed monetary policy adopted in 2009 to stimulate the economy. As such, enterprises will face uncertainty in credit and financing markets. In 2010, the Company will set maintaining safe operations as the top priority. It will establish a closer partnership with financial institutions, including banks, trustees, and insurance companies, develop new financing methods and expand the source of funding. The Company's proposal on issuing new A shares in 2009 has been submitted for approval from related regulatory authorities. Should the issue be successfully implemented, it is expected to reinforce the Company's capital strength and operational flexibility. The Company will continue to actively push forward the progress of the proposal.

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 2009, the Company's sales area and sales revenue were 6,636,000 sq m, and RMB63.42 billion respectively, representing increases of 19.1% and 32.5% respectively when compared with those of 2008.

In 2009, the total sales of commodity housing in the PRC amounted to RMB3,815.72 billion. Based on the aforesaid amount, the Company accounted for 1.66% of the domestic market share in terms of sales revenue, down by 0.68 percentage point from 2008.

During the year under review, the booked area, booked revenue and booked cost of the Company's property projects were 6,052,000 sq m, RMB45.54 billion and RMB33.69 billion respectively, representing increases of 34.1%, 19.3% and 29.8% respectively when compared with those of the previous year. The operating profit margin of the property business for the year was approximately 26.0%, decreased by 6.01 percentage points from that of the previous year.

Unit RMB'000

Sector	Revenue		Cost of Sales		Operating Profit Margin	
	Amount	Change	Amount	Change	Amount	Change
Property	45,543,248.97	19.28%	33,690,186.11	29.84%	26.03%	Down by 6.01

						percentage points
Property Management and Others	504,644.28	15.34%	365,901.45	4.01%	27.49%	Up by 7.90 percentage points
Total	46,047,893.25	19.24%	34,056,087.55	29.49%	26.04%	Down by 5.86 percentage points

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

B. By investment region

In recent years, the Company adhered to its urban-economy-oriented strategy with Pearl River Delta, Yangtze River Delta and Bohai-Rim region being its core development areas. In 2009, core cities such as Shenzhen, Guangzhou, Shanghai, Beijing and Tianjin accounted for 44.1% and 44.5% of revenue and net profit respectively.

	Revenue (RMB'000)	Percentage	Net Profit (RMB'000)	Percentage	Booked Area ('000 sqm)	Percentage
Pearl River Delta Region						
Shenzhen	4,870,068.33	10.69%	555,884.46	9.40%	405.9	6.71%
Guangzhou	4,099,856.30	9.00%	494,491.55	8.36%	497.6	8.22%
Dongguan	988,831.37	2.17%	119,114.54	2.01%	185.1	3.06%
Zhuhai	142,569.70	0.31%	20,141.93	0.34%	12.6	0.21%
Zhongshan	210,762.67	0.46%	29,854.66	0.50%	56.0	0.93%
Foshan	2,764,533.55	6.07%	425,541.27	7.19%	465.3	7.69%
Changsha	865,853.31	1.92%	81,945.65	1.39%	168.1	2.78%
Xiamen	1,496,686.25	3.29%	193,460.13	3.27%	113.5	1.88%
Sub-total	**15,439,161.48**	**33.91%**	**1,920,434.19**	**32.46%**	**1,904.0**	**31.46%**
Yangtze River Delta Region						
Shanghai	4,252,557.37	9.34%	778,660.86	13.16%	629.3	10.40%
Suzhou	1,946,514.70	4.27%	207,992.71	3.52%	205.9	3.40%
Hangzhou	4,311,880.02	9.47%	620,952.67	10.50%	424.8	7.02%
Nanjing	1,693,730.66	3.72%	205,784.86	3.48%	165.6	2.74%
Nanchang	113,148.85	0.25%	9,045.82	0.15%	32.5	0.54%
Ningbo	686,613.83	1.51%	129,422.84	2.19%	64.3	1.06%
Zhengjiang	277,808.09	0.61%	(196.57)	0.00%	55.3	0.91%
Wuxi	985,249.49	2.16%	74,777.79	1.26%	192.0	3.17%
Hefei	-	0.00%	(3,847.14)	-0.07%	-	-
Sub-total	**14,267,503.01**	**31.33%**	**2,022,593.84**	**34.19%**	**1,769.8**	**29.24%**
Bohai-rim Region						
Beijing	2,260,500.67	4.96%	372,509.68	6.29%	218.3	3.61%
Tianjin	4,587,167.27	10.07%	432,447.17	7.31%	640.4	10.58%
Shenyang	2,418,185.53	5.31%	377,624.14	6.38%	477.1	7.88%
Dalian	775,890.16	1.70%	62,691.32	1.06%	98.8	1.63%
Qingdao	750,529.36	1.65%	34,331.93	0.58%	144.6	2.39%
Changchun	571,753.07	1.25%	42,886.19	0.72%	101.7	1.68%
Sub-total	**11,364,026.06**	**24.94%**	**1,322,490.43**	**22.34%**	**1,680.9**	**27.78%**
Central and Western Region						
Chengdu	3,372,140.85	7.40%	529,490.09	8.95%	517.9	8.56%
Wuhan	982,039.40	2.16%	140,400.14	2.37%	165.0	2.73%
Chongqing	118,378.17	0.26%	(15,051.91)	-0.25%	13.9	-
Xian	-	-	(3,489.57)	-0.06%	-	-

Sub-total	**4,472,558.42**	**9.82%**	**651,348.75**	**11.01%**	**696.9**	**11.29%**
Total	**45,543,248.97**	**100.00%**	**5,916,867.21**	**100.00%**	**6,051.6**	**100.00%**

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

(Unit: RMB)

Name of company	Equity interest	Sales revenue in 2009	Net profit in 2009	Total assets at the end of 2009	Major projects developed in 2009
Shenzhen Vanke Real Estate Company Limited	100%	4,561,755,565	664,074,800	16,724,434,061	King Metropolis, Water Cities
Guangzhou Vanke Real Estate Company Limited	100%	3,790,267,716	522,457,100	10,772,167,600	Le Bonheur, The Paradiso
Dongguan Vanke Real Estate Company Limited	100%	879,454,435	101,684,100	4,501,831,700	Hongxinuoya ,The Dream Town
Foshan Vanke Property Company Limited	100%	2,764,533,574	427,982,100	5,114,461,600	The Dream Town, The Paradiso
Shanghai Vanke Real Estate Company Limited	100%	4,285,448,953	856,710,800	19,746,668,461	Gloden City, New City Garden
Zhejiang Vanke Nandu Real Estate Company Limited	100%	4,289,362,558	786,434,000	6,916,517,600	West Spring Butterfly Garden, Liangzhu New Town
Beijing Vanke Company Limited	100%	2,210,530,127	525,157,800	9,229,690,600	No. 5 Park Front Boutique Apartment, Holiday Town
Tianjin Vanke Real Estate Company Limited	100%	4,587,167,307	559,453,200	6,657,275,900	Waterfront, The Paradiso
Shenyang Vanke Real Estate Development Company Limited	100%	2,006,855,090	219,109,200	4,175,489,900	The Paradiso, A Glamorous City
Chengdu Vanke Real Estate Company Limited	100%	3,372,140,838	590,833,200	5,580,256,200	Jinyu Xiling, A Glamorous City

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

(3) Implementation of the business plan

In 2009, the rapid recovery of the property market, together with the release of the pent-up demand from 2008 resulted in record sales. The sales area and sales amount of housing in the PRC for the full year increased by 43.9% and 80%, respectively, to 558,865,000 sq m and RMB3,815.72 billion, respectively, when compared with those of the previous year. The Company actively promoted sales. In 2009, the Company’s sales area and sales revenue amounted to 6,636,000 sq m and RMB63.42 billion, respectively.

The Company’s planned area of newly commenced construction and completed area at the beginning of the year was 4,030,000 sq m and 6,190,000 sq m respectively. To cope with the rapid recovery of the property market, the Company announced in its 2009 interim report that it had adjusted its plan for newly commenced construction for the full year. The area of newly commenced construction was increased to 5,850,000 sq m. In 2009, the Company’s actual area of newly commenced construction and completed area amounted to 5,554,000 sq m and 5,364,000 sq m respectively.

Development of the Company’s major projects in 2009

Unit: sq m

Project	Location	Equity interest	Site area	Planned GFA	Area of construction work commenced in 2009	Area of construction work done in 2009	Accumulated area of construction work done as at the end of 2009
Pearl River Delta Region							
The Village, Shenzhen	Longgang	100%	472,011	646,930	-	98,890	336,375

East Coast, Shenzhen	Yantian	100%	342,984	265,864	-	20,308	255,166
Vanke Centre, Shenzhen	Yantian	100%	61,730	80,201	-	-	-
Ravine Village, Shenzhen	Baoan	60%	158,639	47,270	-	-	-
Dajia Island, Shenzhen	Huizhou	100%	364,450	234,975	-	-	-
Eastern Metropolis, Shenzhen	Longgang	100%	104,801	315,808	-	39,235	80,267
Golden Hill, Shenzhen (深圳金色半山)	Longgang	60%	62,474	96,969	54,969	-	-
Jiuzhou Project, Shenzhen	Longgang	90%	236,330	513,012	-	-	-
Qianlin Shanju, Shenzhen	Longgang	100%	198,597	361,753	53,242	89,042	109,645
Golden Mansion,(金域华府) , Shenzhen	Baoan	100%	68,310	196,182	81,753	11,853	11,853
Jinyu Huating (金域华庭), Huizhou	Huicheng	100%	151,298	327,550	-	31,574	31,574
Tianqin Bay, Shenzhen	Yantian	90%	253,990	24,785	-	1,558	2,663
Water Cities Shenzhen	Tangxia	51%	596,786	412,504	-	60,875	60,875
Airport Project, Shenzhen	Baoan	100%	72,410	161,856	-	-	-
Shuangyuewan, Huizhou	Huidong	67%	360,000	360,000	-	-	-
Dongfang Qinyuan Project, Shenzhen	Longgang	90%	37,740	69,608	17,163	-	-
The Dream Town, Guangzhou	Luogang	100%	222,000	156,742	-	-	156,742
Tian Jing Garden, Guangzhou	Huadu	100%	61,324	143,979	-	68,557	143,979
The Paradiso, Guangzhou	Baiyun	50%	144,657	433,584	-	74,971	141,185
Hillside Garden, Guangzhou	Baiyun	50%	94,745	133,746	-	36,490	101,058
Golden Kangyuan, Guangzhou	Liwan	100%	6,576	58,027	-	58,027	58,027
Golden Liyuan, Guangzhou	Liwan	100%	5,734	40,558	-	40,558	40,558
Everest Town, Guangzhou	Luogang	100%	88,105	175,971	-	175,971	175,971
Aureate City, Guangzhou	Panyu	100%	58,093	72,549	-	21,866	21,866
Golden Mansion (金域华府), Guangzhou	Liwan	100%	6,623	46,147	-	-	-
Tongfu West Project, Guangzhou	Haizhu	100%	9,929	85,279	-	-	-
Le Bonheur, Guangzhou	Liwan	100%	38,111	135,689	135,689	-	-
Jinshazhou B04 Project, Guangzhou	Baiyun	100%	17,207	30,973	-	-	-
Nansha Project, Guangzhou	Nansha	95%	134,760	269,520	-	-	-
Yinhuwan, Guangzhou	Huadu	100%	210,288	98,835	61,508	-	-
The East Canal No.1, Dongguang	Guancheng	100%	83,156	239,752	-	23,663	239,752
Dream Town, Dongguan	Changping	100%	635,971	442,460	35,194	30,945	132,988
Vanke Luhu, Dongguan (东莞万科麓湖)	Dalingshan	100%	146,674	116,934	-	-	-
Feilishan, Dongguan (东莞翡丽山)	Nancheng	50%	249,534	366,543	-	-	-
The Paradiso, Dongguan,	Dalang	51%	91,780	183,560	64,987	66,004	66,004
Golden Mansion, Dongguan (金域华府)	Nancheng	51%	189,934	493,811	157,736	-	-
Hongxinuoya, Dongguan	Songshan Lake	90%	416,618	291,585	158,571	-	-
Xincheng Wanpan, Foshan (新城湾畔)	Shunde	100%	69,877	139,754	-	39,455	94,360
Rancho Santa Fe, Foshan	Shunde	100%	127,598	228,002	51,209	49,061	143,601
Palace, Foshan	Nanhai	100%	110,001	240,170	-	123,554	215,518

The Dream Town, Foshan	Chancheng	100%	337,544	776,350	-	93,755	190,942
Jinyu Huating (金域华庭), Foshan	Nanhai	55%	75,916	184,607	17,922	8,789	44,425
The Paradiso, Foshan	Nanhai	55%	221,035	574,690	-	-	-
Chencun Jinglong Project, Foshan	Shunde	100%	38,986	134,891	-	-	-
Dengzhou Project, Foshan	Shunde	49%	284,036	710,092	-	-	-
City Views, Zhongshan	Southern District	100%	338,516	507,145	85,839	43,045	375,647
Zhuhai Hotel, Zhuhai	Xiangzhou	100%	109,917	143,792	11,177	-	-
Rancho Santa Fe, Zhongshan	Eastern District	100%	76,387	150,764	-	-	-
The Paradiso, Xiamen	Siming	100%	55,657	166,746	-	52,105	166,746
Huxin Island Project, Xiamen	Huli	100%	95,098	199,710	-	-	-
Xiang'an Project, Xiamen	Xiang'an	100%	54,441	109,000	-	-	-
Jimie Xinbin Project, Xiamen	Jimei	100%	102,427	443,000	-	-	-
The Paradiso, Changsha	Furong	80%	120,150	363,369	-	103,762	103,762
The Golden Home, Changsha	Yuhua	100%	12,526	40,085	-	40,085	40,085
Golden Mansion,(金域华府) Changsha	Yuhua	60%	232,440	545,000	-	-	-
Four Seas Project, Changsha	Yuelu	80%	46,914	137,646	48,055	-	-
The Dream town, Changsha	Kaifu	70%	195,421	465,542	-	-	-
Jinyu Rongjun (金域榕郡), Fuzhou	Jin'an	100%	166,736	403,446	-	20,310	20,310
Paper Box Plant Project, Fuzhou	Cangshan	100%	16,168	32,100	-	-	-
Sea House, Haikou	Xiuying	100%	115,503	56,941	-	56,941	56,941
Senlinlu Project, Sanya	Sanya	65%	1,330,552	877,004	-	-	-
Sub-total			**10,788,213**	**15,761,357**	**1,035,014**	**1,581,249**	**3,618,883**
Yangtze River Delta Region							
Firenze, Shanghai	Minhang	49%	296,295	285,793	37,530	29,897	29,897
Floral City, Shanghai	Minhang	100%	140,678	207,773	22,793	58,109	172,697
New City Garden, Shanghai	Minhang	51%	287,741	365,764	95,364	-	-
Wuzhong Road 187 Project, Shanghai	Minhang	100%	61,724	145,065	145,065	-	-
No. 53, Qibao, Shanghai	Minhang	100%	49,294	212,947	-	-	-
Charming Garden, Shanghai	Songjiang	49%	366,465	312,931	19,189	107,743	305,742
Everest Town, Shanghai	Pudong New District	90%	238,920	321,275	-	19,594	309,413
Wujiefang Project, Shanghai	Pudong New District	99.8%	121,463	129,242	-	-	-
Qijiefang Project, Shanghai	Pudong New District	99.8%	83,854	142,612	142,612	-	-
Jiyang Road Project, Shanghai	Pudong New District	99.8%	19,392	16,500	16,500	-	-
Huacao 213, Shanghai	Minhang	100%	172,668	295,700	-	17,365	295,700
Wonderland, Shanghai	Baoshan	100%	383,576	471,700	-	44,530	438,186
Castle Tudor, Shanghai	Baoshan	100%	231,753	254,356	88,589	-	-
Blue Mountain Town, Shanghai	Pudong New District	100%	433,180	209,171	59,583	-	163,807
Golden City, Shanghai	Pudong New District	60%	405,627	809,929	125,694	123,470	123,470
Tongshan Street Project, Shanghai	Pudong New District	75%	90,645	277,031	-	-	-

Bingjiang Project, Shanghai	Pudong New District	25%	38,753	103,132	-	-	-
Crystal Garden, Shanghai	Qingpu	55%	77,804	79,523	30,670	-	-
North of Land Lot No. 35, Qibao, Shanghai	Minhang	51%	39,366	69,913	-	-	-
Liangzhu New Town, Hangzhou	Yuhang	100%	3,354,214	2,309,282	-	131,985	576,025
Aureate City, Hangzhou	Shangcheng	100%	3,584	13,176	-	13,176	13,176
A Glamorous City, Hangzhou	Jianggan	100%	84,438	190,876	-	90,163	190,876
West Spring Butterfly Garden, Hangzhou	Xihu	51%	155,838	354,038	131,706	112,060	112,060
Golden Home, Hangzhou	Fuyang	55%	55,576	110,834	-	-	-
Spring Bay, Hangzhou	Fuyang	100%	499,483	208,981	15,048	-	-
Caozhuang Project, Hangzhou	Jianggan	100%	37,181	86,945	-	-	-
Nimble Bay, Suzhou	Industrial District	70%	384,042	821,664	20,504	16,224	494,041
Ben'an Project, Suzhou	Industrial District	51%	155,673	133,506	-	-	45,714
Golden Home, Suzhou	Canglang	55%	134,771	242,588	-	145,199	189,159
Changfeng School Project, Suzhou	Canglang	49%	48,714	48,153	20,939	-	-
Jinyu Tixiang, Suzhou	Industrial Zone	51%	47,177	118,099	-	-	-
Golf, Kunshan	Bacheng	100%	433,916	328,678	2,345	-	-
Eastern Impression, Wuxi	Changjiang Road North, New District	70%	81,664	214,817	-	62,365	214,817
Glamorous City, Wuxi	Binhu	60%	960,000	1,336,620	121,625	112,717	640,813
Aureate City,(金域缇香),Wuxi	New District	100%	224,376	600,087	81,743	-	-
The Paradiso, Wuxi	Binhu	55%	154,468	386,250	50.950	-	-
Jinyu Tixiang, Nanjing	Jianye	100%	48,938	98,405	-	98,405	98,405
Anpin Street, Nanjing	Baixia	100%	27,325	26,790	-	-	-
Stratford, Nanjing	Xiaguan	100%	27,116	43,474	-	31,894	43,474
The Paradiso, Nanjing	Jiangning	100%	272,298	544,540	-	-	-
Golden Milestone (金色里程), Nanjing	Yuehua	100%	42,318	82,404	70,118	-	-
Glamorous City, Zhenjiang	Tanshan Road	100%	834,900	918,571	152,186	56,080	161,080
North part of Wonderland, Nanchang	Gaoxin	50%	374,335	459,013	29,120	-	429,893
Qingshan Lake, Nanchang	Qingshanhu	50%	97,061	136,007	4,941	-	-
Policy Academy Project, Nanchang	Qingyunpu	50%	97,109	145,206	-	-	-
Golden Town, Ningbo	Yinzhou	100%	190,369	313,602	61,223	56,460	199,399
Golden Mansion,(金域华府) , Ningbo	Yinzhou	10%	18,500	49,948	-	-	-
Cicheng Project, Ningbo	Yinzhou	100%	314,200	393,740	-	-	-
Golden Mingjun, Hefei	Shushan	50%	107,326	387,447	106,186	-	-
Jianghuai Project, Hefei	Shushan	50%	115,628	412,098	-	-	-
Sub-total			**12,921,738**	**16,226,195**	**1,652,221**	**1,275,671**	**5,196,079**
Bohai-Rim region							
Holiday Town, Beijing	Fengtai	50%	224,289	413,304	80,570	114,103	265,981
Wonderland, Beijing	Shunyi	100%	195,817	304,817	18,803	66,504	285,317
Blue Mountain, Beijing	Chaoyang	100%	55,885	147,249	114,600	-	-
Hongshi Jiayuan (红狮家园), Beijing	Fengtai	100%	59,800	184,502	-	-	-
Jinyu Vanke City, Beijing	Changping	49%	178,908	543,461	97,275	169,353	169,353
No. 5 Park Front	Chaoyang	60%	37,917	97,044	-	-	-

Boutique Apartment, Beijing							
Changyang Project, Beijing	Fangshan	50%	437,179	853,165	-	-	-
Waterfront, Tianjin	Dongli	100%	2,708,886	1,910,211	52,730	156,043	547,788
Holiday Town, Tianjin	Xiqing	55%	228,541	296,382	-	58,832	296,382
The Paradiso, Tianjin	Development District	96%	60,200	283,684	-	283,684	283,684
Holiday Dew Garden, Tianjin	Xiqing	100%	229,300	343,101	122,899	59,907	59,907
A Glamorous City, Tianjin	Dongli	100%	176,773	258,579	64,861	75,427	75,427
Jin'ao International, Tianjin	Xiqing	100%	58,577	162,566	78,889	-	-
Binhai Modern, Tianjin	Development District	100%	6,538	40,312	-	-	-
Binhai East, Tianjin	Development District	100%	32,270	48,731	-	-	-
New Milestone, Tianjin	Dongli	51%	136,524	204,786	93,977	-	-
Sino-Singapore Eco-city (中新生态城), Tianjin	Binhai New District	95%	90,604	126,600	-	-	-
Golden Home, Anshan	Tiedong	100%	48,874	97,969	-	40,515	83,368
Dream Town, Anshan	Gaoxin	100%	167,664	405,257	43,897	75,502	75,502
Huisile Project(惠斯勒项目), Anshan	Tiedong	100%	303,700	530,560	-	-	-
New Milestone, Shenyang	Hunnan New District	100%	52,659	119,260	41,000	48,799	119,260
Rancho Santa Fe, Shenyang	Dongling	100%	344,366	111,539	12,330	27,458	89,659
New Elm Mansion, Shenyang	Hunnan New District	100%	182,139	289,647	41,277	58,854	232,183
A Glamorous City, Shenyang	Yuhong	100%	156,817	297,026	34,307	142,049	206,703
Dream Town, Shenyang	Heping	49%	361,320	895,175	137,312	173,491	428,146
The Paradiso, Shenyang	Hunnan New District	100%	226,356	615,688	125,930	87,920	87,920
Jiyu International(金域国际), Shenyang	Tiexi	100%	27,249	108,581	108,581	-	-
Wulihe Project, Shenyang	Shenhe	55%	83,227	291,295	-	-	-
Rancho Phase II (兰乔大二期), Shenyang	Dongling	100%	43,334	21,245	-	-	-
Toudao Project, Shenyang	Dongling	70%	315,362	378,434	-	-	-
Ravine Village, Dalian	Ganjingzi	55%	363,716	380,922	-	65,868	174,855
A Glamorous City, Dalian	Ganjingzi	30%	195,526	404,240	148,100	-	-
City Garden, Dalian	Shahekou	100%	28,580	33,942	-	-	-
Subsequent Projects of Glamorous City, Dalian	Ganjingzi	55%	20,474	44,272	-	-	-
Yangpu Garden, Changchun	Economic Development Zone	100%	89,678	178,229	62,235	88,743	88,743
Tanxi Villa, Changchun	Jingyue Development Zone	100%	75,000	48,956	16,759	12,572	12,572
Diesel Engine Factory Project, Changchun	Erdao	49%	251,356	503,040	-	-	-
Xiaodonggou Project, Changchun	Jingyue	50%	399,715	477,840	-	-	-
228 Factory Project, Changchun	Chaoyang	100%	276,769	493,330	-	-	-
Wonderland, Qingdao	Jimo	55%	150,753	241,165	71,504	36,315	36,315
A Glamorous City, Qingdao	Chengyang	80%	200,289	340,491	50,897	31,382	171,784

Aureate City, Qingdao	Sifang	60%	61,873	179,756	36,808	39,163	39,163
Lanshan (蓝山), Qingdao	Shibei District	100%	68,153	204,459	-	-	-
Dream Town, Qingdao	Sifang	55%	154,607	395,794	-	-	-
City Garden, Qingdao	Chengyang	80%	130,873	231,647	-	-	-
Datuan Project,Yantai	Zhifu	100%	311,614	444,065	-	-	-
Sub-total			**10,010,050**	**14,982,318**	**1,655,541**	**1,912,484**	**3,830,011**
Central and western region							
A Glamorous City, Chengdu	Chenghua	60%	308,501	761,258	45,401	100,046	433,105
The Paradiso, Chengdu	Chenghua	100%	56,293	293,504	-	237,100	237,100
Twin Riverside, Chengdu	Xindu	100%	267,347	338,203	50,109	38,218	318,886
Jinyu Xiling(金域西岭), Chengdu	Jinniu	60%	79,331	359,031	-	73,199	73,199
Golden Lingyu, Chengdu	Qingyang	100%	49,628	297,980	-	-	-
Jinrun Huafu, Chengdu	Jingjiang	100%	52,895	264,473	65,179	-	-
Golden Hairong, Chengdu	Wuhou	49%	54,970	234,464	53,843	-	-
Haiyue Huicheng, Chengdu	Shuangliu	90%	104,307	521,698	62,649	-	-
A Glamorous City, Wuhan	East Lake High-Tech Development Zone	100%	225,258	405,457	195,319	103,698	188,859
Golden Home, Wuhan	Jianghan	100%	23,851	149,618	-	-	31,070
The Peninsula, Wonderland, Wuhan	Dongxi Lake	100%	201,800	253,361	-	9,188	253,361
Element Integration]（万科圆方), Wuhan	Jianghan	55%	12,022	42,869	42,869	-	-
Golf City Garden, Wuhan	Dongxihu	49%	237,660	393,858	129,770	20,275	152,996
Golden Mansion (金域华府), Wuhan	Wuchang	55%	59,790	191,300	117,102	-	-
Dream Town, Wuhan	Jianghan	90%	65,901	299,337	113,977	-	-
Final phase of City Garden , Wuhan	East Lake High-Tech Development Zone	100%	230,970	349,607	-	-	-
Wanwei,Wuhan 武汉万威	Wuhan Economic and Technological Development Zone	100%	213,440	533,600	-	-	-
New City, Xi’an	Yanta	51%	41,765	260,735	-	-	-
Yuyuan, Chongqing, (渝園）	Yubei	51%	229,581	344,372	244,960	13,120	13,120
Gaoxinyuan Zone H Project, Chongqing	Yubei	100%	41,448	145,067	145,067	-	-
Gaoxinyuan Zone I Project, Chongqing	Yubei	100%	138,071	376,737	-	-	-
Chongqing Jiaotong University Project, Chongqing	Yuzhong	100%	105,463	533,486	-	-	-
Sub-total			**2,800,290**	**7,350,014**	**1,266,244**	**594,844**	**1,701,697**
Total			**36,520,292**	**54,319,883**	**5,609,021**	**5,364,247**	**14,346,670**

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 2009, the Company continued to expand the scope of sourcing, deepen the relationship with its partners, further centralise procurement and increase strategic collaborations, in order to achieve economies of scale.

In 2009, purchase made through centralised procurement and strategic collaborations accounted for 43.67 per cent of the total purchase. The categories of products bought through group purchase increased from 12 in 2008 to 24. Products for C Grade standardised furbishing procured through group purchase by means of a tender offered nationwide helped the Company save over RMB100 million in purchasing cost during the year. During the year under review, the aggregate purchase amount from the five largest material and equipment suppliers was RMB649 million, accounting for 3.23 per cent of the total purchase for the year.

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

The Company's major project is commodity housing. Most of its customers are individual homebuyers from various cities where the Company has launched its projects. Only for certain projects are there signs of a small number of institutional buyers or bulk purchasers. As a result, sales to major customers only account for a small proportion of the annual turnover. Sales to the five largest customers amounted to approximately RMB421 million, accounting for 0.66% of the Company's total sales revenue of 2009.

4. Financial status of the Company

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

Unit: RMB '000

Item	**2009-12-31**	**2008-12-31**	**Change (+/-)**	**Reasons for change**
Construction in progress	593,208.23	188,587.02	214.55%	Construction of Vanke Center making progress
Interest in jointly controlled entities	2,763,877.40	1,888,809.16	46.33%	Increase in joint venture projects
Trade and other receivables	17,235,320.84	8,416,531.56	104.78%	Increase in advance payment for land premium of new projects, and increase in investment for the development of projects with associates and jointly controlled entities
Current interest-bearing borrowings	8,628,670.48	17,866,342.91	-51.70%	Repayment of loans; change in debt structure
Item	**Jan-Dec 2009**	**Jan-Dec 2008**	**Change (+/-)**	**Reasons for change**
Other income	263,313.11	77,012.47	241.91%	Income from disposal of investment
Net finance costs	-344,393.21	-634,318.28	-45.71%	Increase in cash dividends from investment of cost method
Share of profits less losses of associates	392,250.94	219,115.50	79.02%	More profits recognised from associates
Minority interests	1,100,269.81	606,699.13	81.35%	More profits recognised from joint venture projects
Other financial indicators	**Jan-Dec 2009**	**Jan-Dec 2008**	**Change (+/-)**	**Reasons for change**
Gearing ratio	67.10%	67.81%	Down by 0.71 percentage points	Control of borrowings
Current ratio	1.92	1.76	Up by 0.16	Increase in cash and cash equivalents
Quick ratio	0.59	0.43	Up by 0.16	Increase in cash and cash equivalents
Equity ratio	32.90%	32.19%	Up by 0.71 percentage points	Control of borrowings
Accounts receivable turnover (Day)	6	8	Decrease by 2 days	Decrease in total accounts receivable, increase in turnover
Inventory turnover (Day)	918	1,050	Decrease by 132 days	Acceleration in construction progress

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 2009 are as follows:

Unit: RMB'000

Total amount of proceeds, net		9,936,600	Funds used for investment during the year			824,400		
Amount of proceeds with changed usage		0	Accumulated funds used			9,514,880		
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	Development progress	Estimated net margin	Net margin on accumulated booked sales during the year	Change in feasibility
Everest Town, (former Science City H3 Project), Guangzhou	No	600,000		600,000	100%	9.20%	10.84%	No
The Paradiso (former Jinshazhou Project), Guangzhou	No	800,000		800,000	46%	13.70%	10.14%	No
The Dream Town (former Nanzhuang Project), Foshan	No	900,000		900,000	32%	17.08%	22.20%	No
Zhuhai Hotel Project, Xiangzhou District, Zhuhai	No	650,000	44,580	587,380	4%	11.73%	-	No
West Spring Butterfly Garden (former Jiangcun Project), Hangzhou	No	700,000		700,000	39%	10.12%	18.03%	No
Liangzhu Project, Yuhang District, Hangzhou	No	1,700,000		1,700,000	35%	10.29%	9.64%	No
Golden Town Project, Yinzhou District, Ningbo	No	1,636,600	219,030	1,636,600	86%	11.42%	15.80%	No
Wujiefang Project, Pudong, Shanghai	No	1,200,000	501,920	1,044,600	Construction not commenced	10.34%	-	No
Jinse Yazhu (former Zhonglin Project), Shanghai	No	700,000	38,750	700,000	100%	14.94%	19.44%	No
Anpin Street Project, Baixia District, Nanjing	No	650,000	160	446,300	Construction not commenced	12.09%	-	No
Stratford (former Huangjiayu Project), Nanjing	No	400,000	19,960	400,000	100%	20.54%	11.20%	No
Total	No	**9,936,600**	**824,400**	**9,514,880**	-	-	-	No
Remarks on delay and estimated earnings (by project)	(1) The preconstruction of Shanghai Wujiefang Project was affected by the government's redirection of roads due to its location within the Expo area; construction of the project therefore could not commence according to schedule. The Company is in the progress of submitting planning reports for approval. It is expected that construction will commence in the second half of 2010, and the overall development plan of the project will be adjusted according to progress. Nanjing Anpin Street Project was not able to commence construction according to							

	schedule, as the government was making adjustment to its planning to preserve the city's heritage. The Company is in the progress of submitting planning reports for approval. It is expected that construction will commence in the second half of 2010, and the overall development plan of the project will be adjusted according to progress. (2) In view of the current sales progress of projects and market forecast, the earnings to be generated from Stratford Project, Nanjing, will not reach the estimated level stated in the prospectus; it is expected that other projects financed by the raised proceeds will have a return rate above the estimated return rate, and the overall return from the projects financed by the raised proceeds will be higher that the estimated level stated in the prospectus.
Remarks on reasons and procedures for changes (by project)	No changes
Application of the balance of the proceeds	As of 31 December 2009, the Company had applied RMB9,514.88 million of the proceeds in accordance with the prospectus. The amount represented 95.8% of the net proceeds of RMB9,936.6 million. The balance of proceeds of RMB421.72 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 Group's net investment amount increased by RMB 5,383,180,000.

1）During the year under review, the Company promoted and established 15 new subsidiaries, each with registered capital of over RMB30 million. The details are as follows:

No.	Newly-established company	Currency	Registered capital	Actual investment by China Vanke (RMB)	Scope of business
1	Ningbo Jiangbei Vanke Property Co., Ltd (宁波江北万科置业有限公司)	RMB	675,000,000.00	675,000,000.00	Property development
2	Foshan Nanhai Paradiso Real Estate Co., Ltd (佛山市南海区万科金域蓝湾房地产有限公司)	USD	95,000,000.00	356,697,652.08	Property development
3	Shenyang Tianqin Bay Vanke Property Company Limited (沈阳万科天琴湾置业有限公司)	USD	99,980,000.00	334,492,683.00	Property development
4	Qingdao Dream Town Real Estate Co., Ltd (青岛万科城地产有限公司)	RMB	300,635,000.00	300,635,000.00	Property development
5	Hangzhou Youhe Enterprise Management Co.,Ltd (杭州佑和企业管理有限公司)	RMB	300,000,000.00	300,000,000.00	Investment and consultancy
6	Hangzhou Vanke Junyuan Property Co., Ltd (杭州万科郡园置业有限公司*)	USD	29,990,000.00	204,769,470.75	Property development
7	Xiamen Singlu Oriental Trading Co., Ltd (厦门新鹭东方商贸有限公司)	RMB	114,264,857.00	114,264,857.00	Wholesale and retail of construction materials
8	Jiangxi Vanke Qingyun Property Co., Ltd (江西万科青云置业有限公司)	RMB	100,000,000.00	100,000,000.00	Property development
9	Wuhan Vanke City Garden Real Estate Development Co., Ltd (武汉万科城市花园房地产开发有限公司)	RMB	100,000,000.00	100,000,000.00	Property development
10	Shenyang Vanke Jinyu Xijun Real Estate Development Co., Ltd.	RMB	68,000,000.00	68,000,000.00	Property development
11	Shanghai Qiaobei Property Co., Ltd (上海桥北置业有限公司)	RMB	100,000,000.00	60,000,000.00	Property development
12	Qingdao Vanke Company Limited	RMB	50,000,000.00	50,000,000.00	Property development
13	Qingdao Vanke Property Co., Ltd (青岛万科置业有限公司)	RMB	50,000,000.00	50,000,000.00	Property development
14	Shanghai Yudi Investment Co., Ltd (上海御地	RMB	50,000,000.00	30,000,000.00	Investment and

	投资咨询有限公司)				consultancy
15	Tianjin Vanke Airport Property Co., Ltd (天津万科空港置业有限公司)	RMB	40,000,000.00	20,400,000.00	Property development
	Total			**2,764,259,662.83**	

In addition to the aforesaid companies, the Group had promoted and established another 25 companies, with a total amount of investment of RMB238 million.

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

a) On 31 May 2009, the Company acquired 90% equity interest of Wuhan Wangjiadun Xiandaicheng Real Estate Development Co., Ltd. for a total cash consideration of RMB368.43 million.

b) On 24 August 2009, the Compan acquired 100% equity interest of Trendell Co., Ltd. for a total cash consideration of RMB140.39 million.

c) , On 11 September 2009, the Company acquired 100% equity interest of Ample Avenue Investment Co., Ltd. for a total cash consideration of RMB103.39 million.

d) On 15 December 2009, the Company acquired 95% equity interest of Qingyuan Hongmei Investment Co., Ltd, for a total cash consideration of RMB266 million.

e) On 31 December 2009, the Company obtained 65% equity interest of Shanghai Pangzhi Investment Management Co., Ltd, for a total cash consideration of RMB567.75 million.

The total amount of investment in another 23 companies acquired by the Company during the year under review was RMB250 million.

3）During the year under review, the Company increased the capital of seven wholly-owned subsidaries by RMB685 million. Of the total amount, RMB340 million was for Wuxi Dongcheng Real Estate Co., Ltd and RMB137 million for Fuyang Spring Bay Property Company Limited. Capital injection to other wholly-owned companies amounted to RMB208 million.

(2) Other investments

During the year under review, the Company had acquired 44 new projects, with a total site area of approximately 7,630,000 sq m and a planned GFA of approximately 13,320,000 sq m, of which approximately 10,360,000 sq m of planned GFA was attributable to China Vanke's equity holding.

(Unit: sq m)

City	Project	Location	Equity interest	Site Area	Planned GFA	GFA attributable to China Vanke's equity holding	Progress
Shenzhen	Dongfang Qinyuan Project	Longgang	90%	37,740	69,608	62,647	Under construction
Guangzhou	Le Bonheur	Liwan	100%	38,111	135,689	135,689	On sale
	Jinshazhou B04 Project	Baiyun	100%	17,207	30,973	30,973	Pre-construction
	Nansha Project	Nansha	95%	134,760	269,520	256,044	Pre-construction
	Yinhuwan	Huadu	100%	210,288	98,835	98,835	Under construction
Dongguan	Hongxinuoya	Songshan Lake	90%	127,694	89,385	80,447	Pre-construction
Foshan	The Paradiso	Nanhai	55%	221,035	574,690	316,080	Pre-construction
	Chencun Jinglong	Shunde	100%	38,986	134,891	134,891	Under construction
	Dengzhou Project	Shunde	49%	284,036	710,092	347,945	Pre-construction

Xiamen	Huxin Island Project	Huli	100%	95,098	199,710	199,710	Pre-construction
	Xiang'an project	Xiang'an	100%	54,441	109,000	109,000	Pre-construction
	Jimei Xingbin	Jimei	100%	102,427	443,000	443,000	Pre-construction
Changsha	Golden Mansion	Yuhua	60%	232,440	545,000	327,000	Pre-construction
	Four Seas Project	Yuelu	80%	46,914	137,646	110,117	Under construction
	Dream town	Kaifu	70%	195,421	465,542	325,879	Pre-construction
Zhongshan	Rancho Santa Fe	Eastern District	100%	76,387	150,764	150,764	Pre-construction
Fuzhou	Paper Box Plant Project	Cangshan	100%	16,168	32,100	32,100	Pre-construction
Sanya	Senlinhu Project	Sanya	65%	1,330,552	877,004	570,053	Pre-construction
Shanghai	North of Land Lot No. 35, Qibao	Minhang	51%	39,366	69,913	35,656	Pre-construction
Hangzhou	Caozhuang Project	Jianggan	100%	37,181	86,945	86,945	Pre-construction
Wuxi	South of Golden Home Land Lot	New District	100%	102,170	306,510	306,510	Pre-construction
Nanchang	Policy Academy Project	Qingyunpu	50%	97,109	145,206	72,603	Pre-construction
Ningbo	Cicheng Project	Yinzhou	100%	314,200	393,740	393,740	Pre-construction
Beijing	Changyang Project	Fangshan	50%	437,179	853,165	426,583	Pre-construction
Tianjin	New Milestone	Dongli	51%	136,524	204,786	104,441	Under construction
	Sino-Singapore Eco-city	Binhai New District	95%	90,604	126,600	120,270	Pre-construction
Anshan	Huisile Project	Tiedong	100%	303,700	530,560	530,560	Pre-construction
Shenyang	Jiyu International, Shenyang沈阳金域国际	Tiexi	100%	27,249	108,581	108,581	Under construction
	Wulihe project	Shenhe	55%	83,227	291,295	160,212	Pre-construction
	Rancho Phase II Shenyang沈阳兰乔大二期	Dongling	100%	43,334	21,245	21,245	Pre-construction
	Toudao Project	Dongling	70%	315,362	378,434	264,904	Pre-construction
Dalian	Subsequent projects of Glamorous Cit	Ganjingzi	55%	20,474	44,272	24,350	Pre-construction
Changchun	Diesel Engine Factory Project	Erdao	49%	251,356	503,040	246,490	Pre-construction
	Xiaodonggou Project	Jingyue	50%	399,715	477,840	238,920	Pre-construction
	228 Factory Project	Chaoyang	100%	276,769	493,330	493,330	Pre-construction
Qingdao	Blue Mountain	Northern District	100%	68,153	204,459	204,459	Pre-construction
	Dream Town	Sifang	55%	154,607	395,794	217,687	Pre-construction
	City Garden	Chengyang	80%	130,873	231,647	185,318	Pre-construction
Yantai	Datuan Project	Zhifu	100%	311,614	444,065	444,065	Pre-construction
Chonqqing	Gaoxinyuan Zone H Project	Yubei	100%	41,448	145,067	145,067	Under construction
	Gaoxinyuan Zone I Project	Yubei	100%	138,071	376,737	376,737	Pre-construction
	Chongqing Jiaotong University Project	Yuzhong	100%	105,463	533,486	533,486	Pre-construction
Wuhan	Final phase of City Garden	East Lake High-Tech Development Zone	100%	230,970	349,607	349,607	Pre-construction
	Wanwei, 武汉万威	Wuhan Economic and Technological Development Zone	100%	213,440	533,600	533,600	Pre-construction
Total				**7,629,862**	**13,323,373**	**10,356,536**	

The total land premium of the above-mentioned new projects attributable to China Vanke's equity holding was RMB24.82 billion. As at the end of 2009, the Company had paid a total premium of RMB14.85 billion for the above-mentioned new projects.

Subsequent event:

From the end of the year under review to the date of publication of this report, the Company acquired 18 new projects, with a GFA of 4,380,000 sq m attributable to China Vanke's equity holding. 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
Shenzhen	Buji Shuijing(布吉水径)	Longgang	60%	165,003	455,200	273,120	Pre-construction
Foshan	Phase 2, Chencun (陈村)	Shunde	100%	117,865	294,900	294,900	Pre-construction
	Lunjiao (伦教)	Shunde	100%	80,570	241,712	241,712	Pre-construction
	F04	Shunde	50%	30,381	75,600	37,800	Pre-construction
Guangzhou	Tianhe Yupin (天河御品)	Baiyun	100%	22,297	120,850	120,850	Under construction
Dongguan	North of Songshan Lake	Songshan Lake	51%	136,151	381,223	194,424	Pre-construction
	Liansheng Road (连升路), Humen	Humen	100%	60,570	151,425	151,425	Pre-construction
Changsha	Machine Tool Factory	Tianxin	100%	9,970	232,762	232,762	Pre-construction
Fuzhou	Redevelopment of Shanghai New Village	Taijiang	100%	93,359	448,123	448,123	Pre-construction
	Yongtai Red Cliff	Yongtai	51%	392,000	392,000	199,920	Pre-construction
Shanghai	Pudong Airport C4	Pudong	100%	119,628	148,814	148,814	Pre-construction
	Zhaochong Road East	Qingpu	100%	119,860	145,266	145,266	Pre-construction
Wuxi	Xincheng Road East(信成道东)	Binhu	100%	154,119	380,279	380,279	Pre-construction
Ningbo	Dongjiacun (董家村)	Yinzhou	100%	95,242	171,436	171,436	Pre-construction
Zhenjiang	Bailongshan (白龙山)	Runzhou	100%	285,683	416,400	416,400	Pre-construction
Shenyang	Haiman(海漫)	Dadong	100%	74,500	223,600	223,600	Pre-construction
Wuhan	Redevelopment of Changjiang Village	Hongshan	100%	135,600	470,400	470,400	Pre-construction
Xi'an	Phase I Qujiang Project		60%	152,700	386,000	231,600	Pre-construction
Total				**2,245,499**	**5,137,502**	**4,384,343**	

6. Project development plan for the new year

As at the end of 2009, the Company had 125 projects under planning with an aggregate GFA of approximately 30,630,000 sq m, approximately 24,360,000 sq m of which was GFA attributable to China Vanke's equity holding.

In view of the existing land bank and future market conditions, the Company sets its 2010 plan for area of newly commenced construction and completed area at approximately 8,550,000 sq m and 5,040,000 sq m, respectively. The planned area of newly commenced construction is approximately 52.5% more than the actual area of newly commenced construction achieved in 2009. The completed area during the year under review was relatively smaller, mainly due to the continued rise in the proportion of the Company's furbished units among newly commenced projects in recent years. Before the proportion of fully furbished units and furbished units is stabilised, the period between the overall completion date and the date of commenced construction and date of product launch will be extended.

The Group's major projects in 2010:

(Unit: sq m)

Project Name	Location	Equity interest	Site area	Planned GFA	Planned area of newly commenced construction in 2010	Planned completed area in 2010	GFA construction of which not commenced as at the end of 2009
Pearl River Delta Region							
The Village, Shenzhen	Longgang	100%	472,011	646,930	42,932	104,496	143,170
East Coast, Shenzhen	Yantian	100%	342,984	265,864	-	10,698	-
Vanke Center	Yantian	100%	61,730	80,201	-	80,201	-
Ravine Village, Shenzhen	Baoan	60%	158,639	47,270	-	-	47,270
Dajia Island, Shenzhen	Huizhou	100%	364,450	234,975	-	-	234,975
Eastern Metropolis, Shenzhen	Longgang	100%	104,801	315,808	62,956	-	238,001
Golden Hill, (金色半山)Shenzhen	Longgang	60%	62,474	96,969	-	49,003	42,000
Jiuzhou Project, Shenzhen	Longgang	90%	236,330	513,012	-	-	513,012
Qianlin Shanju, Shenzhen	Longgang	100%	198,597	361,753	131,354	38,590	199,581
Golden Mansion,(金域华府) Shenzhen	Baoan	100%	68,310	196,182	-	100,454	-
Jinyu Huating (金域华庭), Huizhou	Huicheng	100%	151,298	327,550	84,082	35,655	295,977
Tianqin Bay, Shenzhen	Yantian	90%	253,990	24,785	-	3,649	12,793
Water Cities Shenzhen	Tangxia	51%	596,786	412,504	81,446	54,046	308,837
Airport Project, Shenzhen	Baoan	100%	72,410	161,856	161,856	-	161,856
Shuangyuewan, Huizhou	Huidong	67%	360,000	360,000	-	-	360,000
Dongfang Qinyuan Project, Shenzhen	Longgang	90%	37,740	69,608	52,445	-	52,445
The Paradiso, Guangzhou	Baiyun	50%	144,657	433,584	40,000	96,517	157,233
Hillside Garden, Guangzhou	Baiyun	50%	94,745	133,746	-	32,529	-
Aureate City, Guangzhou	Panyu	100%	58,093	72,549	-	5,850	-
Golden Mansion, Guangzhou	Liwan	100%	6,623	46,147	-	42,008	-
Tongfu West Project, Guangzhou	Haizhu	100%	9,929	85,279	46,078	-	46,078
Le Bonheur, Guangzhou	Liwan	100%	38,111	135,689	-	76,897	-
Jinshazhou B04 Project, Guangzhou	Baiyun	100%	17,207	30,973	30,973	-	30,973
Nansha Project, Guangzhou	Nansha	95%	134,760	269,520	45,000	-	269,520
Yinhuwan, Guangzhou	Huadu	100%	210,288	98,835	37,327	69,908	37,327
Tianhe Yupin, Guangzhou	Baiyun	100%	22,297	122,363	-	122,363	-
Dream Town, Dongguan	Changping	100%	635,971	442,460	91,724	35,194	194,324
Vanke Luhu,(万科麓湖)Dongguan	Dalingshan	100%	146,674	116,934	87,945	-	116,934
Feilishan (东莞翡丽山), Dongguan	Nancheng	50%	249,534	366,543	20,000	-	366,543
The Paradiso Dongguan	Dalang	51%	91,780	183,560	-	52,568	-0
Golden Mansion, (金域华府)Dongguan	Nancheng	51%	189,934	493,811	100,000	44,007	336,075
Hongxinuoya, Dongguan	Songshan Lake	90%	416,618	291,585	70,063	86,432	84,058
Xincheng Wanpan (新	Shunde	100%	69,877	139,754	-	59,321	-

城湾畔) Foshan							
Rancho Santa Fe, Foshan	Shunde	100%	127,598	228,002	-	32,321	-0
Golden Mansion, Foshan	Nanhai	100%	110,001	240,170	-	-	-
The Dream Town, Foshan	Chancheng	100%	337,544	776,350	-	28,609	495,483
Jinyu Huating,, Foshan	Nanhai	55%	75,916	184,607	41,678	34,383	41,678
The Paradiso, Foshan	Nanhai	55%	221,035	574,690	265,018	-	574,690
Chencun Jinglong Project, Foshan	Shunde	100%	38,986	134,891	-	-	134,891
Dengzhou Project, Foshan	Shunde	49%	284,036	710,092	136,800	-	710,092
City Views, Zhongshan	Southern District	100%	338,516	507,145	43,831	89,356	43,831
Zhuhai Hotel, Zhuhai	Xiangzhou	100%	109,917	143,792	82,204	11,176	132,615
Rancho Santa Fe, Zhongshan	Eastern District	100%	76,387	150,764	120,764	45,221	150,764
Huxin Island Project, Xiamen	Huli	100%	95,098	199,710	95,240	-	199,710
Xiang’an Project, Xiamen	Xiang’an	100%	54,441	109,000	109,000	-	109,000
Jimei Xingbin Project, Xiamen	Jimei	100%	102,427	443,000	110,000	-	443,000
The Paradiso, Changsha	Furong	80%	120,150	363,369	130,622	-	259,552
Golden Mansion, Changsha	Yuhua	60%	232,440	545,000	194,310	63,000	545,000
Four Seas Project, Changsha	Yuelu	80%	46,914	137,646	-	-	89,591
Dream town, Changsha	Kaifu	70%	195,421	465,542	162,938	21,444	465,542
Jinyu Rongjun, (金域榕郡) Fuzhou	Jin’an	100%	166,736	403,446	167,748	73,222	304,646
Paper Box Plant Project, Fuzhou	Cangshan	100%	16,168	32,100	32,100	-	32,100
Senlinhu Project, Sanya	Sanya	65%	1,330,552	877,004	213,312	-	877,004
Sub-total			**10,159,929**	**14,804,919**	**3,091,747**	**1,599,512**	**9,858,173**
Yangtze River Delta Region							
Firenze, Shanghai	Minhang	49%	296,295	285,793	80,169	22,014	218,366
Floral City, Shanghai	Minhang	100%	140,678	207,773	14,559	7,581	14,559
New City Garden, Shanghai	Minhang	51%	287,741	365,764	128,418	31,861	270,400
Baima Garden, Shanghai	Songjiang	49%	366,465	312,931	-	7,189	-
Wonderland, Shanghai	Baoshan	100%	383,576	471,700	-	33,514	-
Wuzhong Road 187 Project, Shanghai	Minhang	100%	61,724	145,065	-	101,334	-
No. 53, Qibao , Shanghai	Minhang	100%	49,294	212,947	50,000	-	212,947
Everest Town, Shanghai	Pudong	90%	238,920	321,275	-	11,862	-
Wujiefang Project, Shanghai	Pudong	99.8%	121,463	129,242	-	-	129,242
Qijiefang Project, Shanghai	Pudong	99.8%	83,854	142,612	-	142,612	-
Jiyang Road Project, Shanghai	Pudong	99.8%	19,392	16,500	-	16,500	-
Castle Tudor, Shanghai	Baoshan	100%	231,753	254,356	79,495	53,464	79,495
Blue Mountain Town, Shanghai	Pudong	100%	433,180	209,171	-	40,000	-
Golden City, Shanghai	Pudong	60%	405,627	809,929	125,150	125,694	513,188
Tongshan Street Project, Shanghai	Pudong	75%	90,645	277,031	-	-	277,031
Bingjiang Project,	Pudong	25%	38,753	103,132	-	-	103,132

Shanghai							
Crystal Garden, Shanghai	Qingpu	55%	77,804	79,523	48,853	30,670	48,853
North of Land Lot No.35	Minhang	51%	39,366	69,913	69,913	-	69,913
Liangzhu New Town, Hangzhou	Yuhang	100%	3,354,214	2,309,282	150,000	106,282	1,478,451
West Spring Butterfly Garden, Hangzhou	Xihu	51%	155,838	354,038	110,281	51,765	110,281
Golden Home, Hangzhou	Fuyang	55%	55,576	110,834	-	-	-
Spring Bay, Hangzhou	Fuyang	100%	499,483	208,981	21,717	51,317	142,655
Caozhuang Project, Hangzhou	Jianggan	100%	37,181	86,945	86,945	-	86,945
Nimble Bay, Suzhou	Industrial District	70%	384,042	821,664	108,054	70,808	233,312
Ben'an Project, Suzhou	Industrial District	51%	155,673	133,506	23,019	55,086	23,019
Golden Home, Suzhou	Canglang	55%	134,771	242,588	-	38,851	-
Changfeng School Project, Suzhou	Canglang	49%	48,714	48,153	27,214	20,939	27,214
Jinyu Dixiang, Suzhou	Industrial Zone	51%	47,177	118,099	107,655	-	107,655
Golf, Kunshan	Bacheng	100%	433,916	328,678	20,000	-	326,333
Glamorous City, Wuxi	Binghu	60%	960,000	1,336,620	133,000	79,883	561,506
Aureate City, Wuxi	New District	100%	224,376	600,087	155,315	41,221	518,344
The Paradiso, Wuxi	Binghu	55%	154,468	386,250	73,968	79,669	255,061
Anpin Street, Nanjing	Baixia	100%	27,325	26,790	-	-	26,790
The Paradiso, Nanjing	Jiangning	100%	272,298	544,540	97,029	80,366	424,027
Golden Milestone, Nanjing	Yuehua	100%	42,318	82,404	-	29,987	-
Glamorous City, Zhenjiang	Tanshan Road	100%	834,900	918,571	44,833	104,826	577,207
North part of Wonderland, Nanchang	Gaoxin	50%	374,335	459,013	-	28,904	-
Qingshan Lake, Nanchang	Qingshanhu	50%	97,061	136,007	119,291	22,761	119,291
Policy Academy Project, Nanchang	Qingyunpu	50%	97,109	145,206	85,700	-	145,206
Golden Town, Ningbo	Yinzhou	100%	190,369	313,602	-	51,781	-
Golden Mansion, Ningbo	Yinzhou	10%	18,500	49,948	-	49,948	-
Cicheng Project, Ningbo	Yinzhou	100%	314,200	393,740	118,085	-	393,740
Golden Mingjun, Hefei	Shushan	50%	107,326	387,447	78,307	57,036	224,225
Jianghuai Project, Hefei	Shushan	50%	115,628	412,098	85,594	-	412,098
Sub-total			**12,503,330**	**15,369,746**	**2,242,564**	**1,645,724**	**8,130,485**
Bohai-Rim region							
Holiday Town, Beijing	Fengtai	50%	224,289	413,304	16,030	50,217	16,030
Wonderland, Beijing	Shunyi	100%	195,817	304,817	-	19,500	-
Blue Mountain, Beijing	Chaoyang	100%	55,885	147,249	-	-	32,649
Hongshi Jiayuan, Beijing	Fengtai	100%	59,800	184,502	-	146,009	34,443
Dream Town, Beijing	Changping	49%	178,908	543,461	81,832	-	279,069
No. 5 Park Front Boutique Apartment, Beijing	Chaoyang	60%	37,917	97,044	-	40,241	-
Changyang Project, Beijing	Fangshan	50%	437,179	853,165	158,000	-	853,165
Waterfront, Tianjin	Dongli	100%	2,708,886	1,910,211	108,140	88,723	1,465,736
Holiday Dew Garden, Tianjin	Xiqing	100%	229,300	343,101	30,152	48,004	160,295
A Glamorous City, Tianjin	Dongli	100%	176,773	258,579	40,000	18,715	99,577

Jin'ao International, Tianjin	Xiqing	100%	58,577	162,566	66,110	-	83,678
Binhai Modern, Tianjin	Development District	100%	6,538	40,312	40,312	-	40,312
Binhai East, Tianjin	Development District	100%	32,270	48,731	48,731	-	48,731
New Milestone, Tianjin	Dongli	51%	136,524	204,786	110,809	31,093	110,809
Sino-Singapore Eco-city	Binhai new district	95%	90,604	126,600	21,037	-	126,600
Golden Home, Anshan	Tiedong	100%	48,874	97,969	-	14,601	-
Dream Town, Anshan	Gaoxin	100%	167,664	405,257	101,342	43,935	285,821
Huisile Project, Anshan	Tiedong	100%	303,700	530,560	106,600	-	530,560
Rancho Santa Fe, Shenyang	Dongling	100%	344,366	111,539	-	21,880	-
New Elm Mansion, Shenyang	Hunnan New District	100%	182,139	289,647	16,187	-	16,187
A Glamorous City, Shenyang	Yuhong	100%	156,817	297,026	46,567	23,837	46,567
Dream Town, Shenyang	Heping	49%	361,320	895,175	58,080	44,203	282,859
The Paradiso, Shenyang	Hunnan New District	100%	226,356	615,688	69,806	101,523	364,675
Jiyu International, Shenyang	Tiexi	100%	27,249	108,581	-	-	-
Tianqin Bay, Shenyang	Shenhe	55%	83,227	291,295	79,889	-	291,295
Rancho Phase II(兰乔大二期), Shenyang	Dongling	100%	43,334	21,245	21,245	-	21,245
Toudao Project, Shenyang	Dongling	70%	315,362	378,434	41,995	-	378,434
Ravine Village, Dalian	Ganjingzi	55%	363,716	380,922	104,423	51,079	151,921
A Glamorous City, Dalian	Ganjingzi	30%	195,526	404,240	174,403	104,520	222,293
City Garden, Dalian	Shahekou	100%	28,580	33,942	-	-	33,942
Subsequent Projects of Glamorous City, Dalian	Ganjingzi	55%	20,474	44,272	-	-	44,272
Yangpu Garden, Changchun	Economic development District	100%	89,678	178,229	27,251	61,916	27,251
Tanxi Villa, Changchun	Jingyue Development District	100%	75,000	48,956	12,602	35,083	12,602
Diesel Engine Factory Project, Changchun	Erdao	49%	251,356	503,040	102,710	-	503,040
Xiaodonggou Project, Changchun	Jingyue	50%	399,715	477,840	80,600	-	477,840
228 Factory Project, Changchun	Chaoyang	100%	276,769	493,330	65,450	-	493,330
Wonderland, Qingdao	Jimo	55%	150,753	241,165	68,168	43,643	134,407
A Glamorous City, Qingdao	Chengyang	80%	200,289	340,491	77,623	66,586	77,623
Aureate City, Qingdao	Sifang	60%	61,873	179,756	53,529	46,260	53,529
Lanshan, Qingdao	Shibei	100%	68,153	204,459	78,387	-	204,459
Dream Town, Qingdao	Sifang	55%	154,607	395,794	95,740	-	395,794
City Garden, Qingdao	Chengyang	80%	130,873	231,647	70,854	-	231,647
Datuan Project, Yantai	Zhifu	100%	311,614	444,065	84,500	-	444,065
Sub-total			**9,668,650**	**14,282,991**	**2,302,821**	**1,101,567**	**9,076,750**
Central and western region							
A Glamorous City, Chengdu	Chenghua	60%	308,501	761,258	114,343	40,773	137,470
The Paradiso, Chengdu	Chenghua	100%	56,293	293,504	-	56,404	-
Twin Riverside, Chengdu	Xindu	100%	267,347	338,203	-	19,317	-

Jinyu Xiling (金域西岭), Chengdu	Jinniu	60%	79,331	359,031	-	71,316	-
Golden Lingyu, Chengdu	Qingyang	100%	49,628	297,980	30,000	-	297,980
Jinrun Huafu, Chengdu	Jingjiang	100%	52,895	264,473	95,522	-	199,294
Golden Hairong, Chengdu	Wuhou	49%	54,970	234,464	79,749	51,110	139,749
Haiyue Huicheng, Chengdu	Shuangliu	90%	104,307	521,698	45,000	-	459,050
A Glamorous City, Wuhan	East Lake High-Tech Development Zone	100%	225,258	405,457	21,037	119,198	21,037
Golden Home, Wuhan	Jianghan	100%	23,851	149,618	-	118,548	-
Element Integration (武汉圆方), Wuhan	Jianghan	55%	12,022	42,869	-	-	-
Golf City Garden, Wuhan	Dongxi Lake	49%	237,660	393,858	65,496	90,041	90,151
Golden Mansion ,(金域华府) , Wuhan	Wuchang	55%	59,790	191,300	36,145	-	74,198
Dream Town, Wuhan	Jianghan	90%	65,901	299,337	46,150	-	185,360
Final phase of City Garden	East Lake High-Tech Development Zone	100%	230,970	349,607	85,012	21,422-	349,607
Wanwe, Wuhan(万威)	Wuhan Economic and Technological Development Zone	100%	213,440	533,600	55,000	-	533,600
New City, Xi'an	Yanta	51%	41,765	260,735	-	41,728	71,280
Yuyuan, Chongqing (渝园)	Yubei	51%	229,581	344,372	99,412	66,306	99,412
Gaoxinyuan Zone H Project, Chongqing	Yubei	100%	41,448	145,067	-	-	-
Guoxinyuan Zone I Project, Chongqing	Yubei	100%	138,071	376,737	51,817	-	376,737
重庆交通大学）项目 Chongqing Jiaotong University Project, Chongqing	Yuzhong	100%	105,463	533,486	93,554	-	533,486
Sub-total			**2,598,490**	**7,096,653**	**918,237**	**696,163**	**3,568,411**
Total			**34,930.400**	**51,554,309**	**8,555,368**	**5,042,966**	**30,633,819**

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:

a) There may be changes in the macro economy and the property market or changes in the sale of an individual project;

b) 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;

c) Unfavourable weather conditions may delay the progress of project development and affect the schedule for completion;

d) Impact of other unpredictable significant events on the construction progress of projects.

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

Fair value measurement**:**

Unit: RMB'000

Item	Balance at the beginning of the year	Gain/loss from changes in fair value during the year under review	Accumulated changes of fair value recognised in equity	Provision for diminution in value during the year under review	Disposal during the year under review	Balance at the end of the year under review
Financial assets						
Including: 1. Financial assets measured at fair value, and changes of which are recorded in profit and loss during the period[2]	-	740.5	-	-	-	740.5
Including: Derivative financial assets	-	740.5	-	-	-	740.5
2. Available-for-sale financial assets	167,417.9		80,714.8		(84,503.2)	163,629.5
Sub-total of financial assets	**167,417.9**	**740.5**	**80,714.8**	**0.00**	**(84,503.2)**	**164,370.0**
Financial liabilities	1,694.9	(1,694.9)	-	-	-	-
Investment properties	-	-	-	-	-	-
Productive biological assets	-	-	-	-	-	-
Others[3]	-	-	-	-	-	-
Total	-	**2,435.4**	**80,714.8**	**-**	**(84,503.2)**	-

Holding of financial assets and financial liabilities in foreign currency

Unit: RMB'000

Item	Balance at the beginning of the year	Gain/loss from changes in fair value during the year under review	Accumulated changes of fair value recognised in equity	Provision for diminution in value during the year under review	Balance at the end of the year under review
Financial assets					
Including: 1. Financial assets measured at fair value, and changes of which are recorded in profit and loss during the period[2]	-	740.5	-	-	740.5
Including: Derivative financial assets	-	740.5	-	-	740.5
2. Loans and accounts receivables[3]	-	-	-	-	-
3. Available-for-sale financial assets	-	-	-	-	-
4. Held-to-maturity investment[3]	-	-	-	-	-
Sub-total of financial assets	-	740.5	-	-	740.5
Financial liabilities	**1,694.9**	**(1,694.9)**	**-**	**-**	**-**

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 and with a low value and are being gradually disposed of. With respect to certain items, the Company refer 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 four board meetings during 2009

A. On 6 March 2009, the Fourth 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 2008; the audited financial report for the year 2008; the special remarks on the deposit and use of proceeds raised from previous fund-raising exercises during 2008; the internal control self-assessment report for the year 2008; the proposal on profit appropriation and dividend distribution for the year 2008; the resolution regarding the Company's 2008 annual report and its summary; the resolution regarding the appointment of auditors for the year 2009; the resolution regarding Ms. Shirley L. Xiao's resignation as the Secretary of the Board of Directors and the appointment of Mr. Varjak H. Tan as the Secretary of the Board of Directors; the resolution regarding the amendment of the Company's Articles of Association; resolution regarding the Company's 2008 corporate responsibility report; the resolution regarding the convention of the 2008 Annual General Meeting. The related announcement was published in China Securities Journal, Securities Times, Shanghai Securities News and irasia.com, Hong Kong, respectively, on 10 March 2009.

B. On 25 April 2009, the Fifth Meeting of the Fifteenth Board of Directors was held to consider and approve the Company's first quarterly report and financial statements for the year 2009. The related announcement was published in China Securities Journal, Securities Times, Shanghai Securities News and irasia.com, Hong Kong, respectively, on 27 April 2009.

C. On 31 July 2009, the Sixth Meeting of the Fifteenth Board of Directors was held to consider and approve the following resolutions: the interim report, financial statements and the summary of the interim report for the year 2009; and the resolution regarding the proposals on no profit appropriation or transfer of surplus reserve to share capital for the 2009 interim period. The related announcement was published in China Securities Journal, Securities Times, Shanghai Securities News and irasia.com, Hong Kong, respectively, on 4 August 2009.

D. On 23 October 2009, the Seventh Meeting of the Fifteenth Board was held to consider and approve the third quarterly report and financial statements for the year 2009. The related announcement was published in China Securities Journal, Securities Times, Shanghai Securities News and irasia.com, Hong Kong, respectively, on 26 October 2009.

(2) In 2009, the Board had conducted 12 votings by correspondence

A. On 12 January 2009, the resolution regarding the disposal of 90% equity interest in Nanjing Hengbang Real Estate Development Co., Ltd. was submitted for the Board's approval through voting by correspondence.

B**.** On 16 March 2009, the resolution regarding the provision of guarantee for a bank loan of Shaanxi Hualian Property Development Co., Ltd. was submitted for the Board's approval through voting by correspondence.

C**.** On 14 April 2009, the resolutions regarding the confirmation of the tenure of the president and the provision of guarantee for the principal and interest of a RMB120 million loan of Shenzhen Vanke Real Estate Co., Ltd.(Shenzhen Vanke) were submitted for the Board's approval through voting by correspondence.

D**.** On 5 May 2009, the resolution regarding the progress of withdrawing from the development of Shenzhen Vanke City East project by disposing of 90% equity interest in the said project company was submitted for the Board's approval through voting by correspondence.

E**.** On 27 July 2009, the resolution regarding Shenzhen Vanke's provision of guarantee for a bank loan of Tangyue Project was submitted for the Board's approval through voting by correspondence.

F. On 13 August 2009, the resolutions regarding the establishment of Shenyang Wulihe Project Company, the establishment of Qingdao Vanke City Real Estate Co., Ltd., and China Construction Bank's provision of a credit line were submitted for the Board's approval through voting by correspondence.

G. On 14 August 2009, the resolutions regarding setting up a system of appointing auditors, the Company's meeting the conditions for conducting a public offer of new A shares, the proposal on the public offer of new A shares, submitting to the shareholders' meeting for granting the board the mandate to handle all the matters relating to the public offer of new A shares, the feasibility of the planned investment projects using the proceeds raised from the public offer of new A shares, elaboration on the use of proceeds from the previous fund-raising exercise in specific projects, and the convention of 2009 first special general meeting were submitted for the Board's approval through voting by correspondence.

H. On 23 September 2009, the resolution regarding the adjustment to the Board's authorisation in relation to project development was submitted for the Board's approval through voting by correspondence.

I. On 12 October 2009, the resolution regarding Shanghai Vanke's provision of guarantee for a bank loan for Shanghai Golden City Project was submitted for the Board's approval through voting by correspondence.

J. On 26 October 2009, the resolution regarding the acquisition of Guicheng Qiandeng Hubei Project in Nanhai, Foshan, was submitted for the Board's approval through voting by correspondence.

K. On 30 October 2009, the resolution regarding establishing a system for managing inside information and insiders was submitted for the Board's approval through voting by correspondence.

L. On 25 November 2009, the resolution regarding acquisition of Guangzhou Asia Games City was submitted for the Board's approval through voting by correspondence.

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

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

A. The implementation of the proposal on dividend distribution for the year 2008
Following the resolutions passed at the 2008 (20th) Annual General Meeting, the Board had proceeded with the implementation of the proposal on dividend distribution for 2008. The dividend distribution proposal for 2008 is as follows: for every 10 existing shares held, a cash dividend of RMB0.5 (including tax; after deducting tax, a cash dividend of RMB0.45 would be paid for every 10 existing shares beneficially held by individual shareholders, investment funds, and qualified foreign institutional investors of A shares; for other non-resident enterprises, the Company would not withhold nor pay the income tax on their behalf – the taxpayer should pay the tax in the place where the income would be received; B shares are not subject to taxation for the time being) was paid. The record date for A shareholders for entitlement of dividend was 5 June 2009. The ex-right and ex-dividend date was 8 June 2009. The last trading date and ex-right and ex-dividend date for B share was 5 June 2009 and 8 June 2009, respectively. The record date for B shareholders was 10 June 2009. The exchange rate for B share's cash dividend was HK$1 = RMB0.8816, 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 (13 April 2009) after the approval of the dividend distribution proposal at the Company's 2008 Annual General Meeting.

B. Resettlement, repair and reconstruction works in the affected area following the Sichuan earthquake
Pursuant to the resolutions passed at the First Special General Meeting of 2008, the Company in 2009 continued to participate in the resettlement and reconstruction works in the earthquake-stricken area of Sichuan. The building of Zundao Kindergarten, Zundao People's Centre, Xiang'e People's Centre and Zundao Lihua Square, for which construction was funded by the Company, was completed and ready for use. Since 2008, the Company alone funded the construction of six public buildings, with a total investment amount of RMB86,204,000, covering an aggregate GFA of 27,900 sq m, and helping 35,000 people. The Company also made donations to six public projects in Shifang, Pengzhou, Bazhong and Ya'an, with a total investment amount of RMB23,200,000. As at December 2009, all the projects funded by the Company had been completed and in use. According to an independent audit report prepared by a third party, the total costs

of the resettlement and reconstruction works in the disaster area amounted to RMB124,622,000, including RMB100,392,000 in accordance with the amount authorised by the First Special General Meeting of 2008, and RMB2,200,00, which was allocated from the Company's corporate citizenship special project fund. The expenses incurred in the relief work offered by the branch companies amounted to RMB2,195,000, staff donations amounted to RMB11,655,000, donations by China Vanke's business partners amounted to RMB4,180,000 and donations from China Vanke's Charity Foundation amounted to RMB4,000,000.

(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 period under review, the audit committee held four audit committee meetings and communication meetings and conducted one voting by correspondence. The audit committee considered the following issues: the arrangement of audit duties, the periodical financial reports, proposal on profit appropriation, the appointment of audit firm, opinions on the management of audit firm, appropriation for and write-off of diminution in value, guarantee issues, establishment of an internal control system, etc. The audit committee also communicated with the auditors on a regular basis.

The audit committee actively performed its audit duties in 2009. Since the end of the year under review, the audit committee held two more meetings and communication meetings, and conducted one voting by correspondence, supervised the auditors to follow the audit schedule in order to ensure the audit could be completed on time, reviewed the financial statements and provided feedback,. It also considered and approved the appointment of auditors, internal control self-assessment report and the change in the person in charge of the internal audit department.

The audit committee concluded the audit performed by KPMG Huazhen Certified Public Accountants in 2009 as follows:

According to the requirements of the Document No. 34 (2009) issued by China Securities Regulatory Commission, the following conclusions have been made regarding the audit performed by KPMG Huazhen Certified Public Accountants ("KPMG"):

1. Preparation before auditing

i. Determinination of audit schedule

It took four months from pre-auditing, which commenced at the beginning of November 2009, up till the completion of preliminary auditing for the 2009 audit. Details of the work schedule are as follows:

1) November to December 2009: Pre-audit – to perform pre-audit of new acquisitions and new markets in 2009 and selected regions based on their importance;

2） 14 January 2010: Started performing their audit in China Vanke's office. On 24 February, the first draft of the 2009 Auditor's Report was presented to the audit committee for review; and final draft of the published version of the Auditor's Report was presented on 26 February.

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 14 January 2010, KPMG sent five different teams (for Shenzhen, Shanghai, Beijing, other areas and the Company as a whole) to perform audit for the Company and its subsidiaries.

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

On 24 February 2010, KPMG submitted to the audit committee the 2009 Auditors' Report and special remarks on "The Company's Internal Control Self-Assessment Report (2009)". On 26 February 2010, the Board meeting approved this item and the on-site audit performed by KPMG for the Company's 2009 audit completed.

3. Audit results

KPMG has issued its unqualified opinion for the 2009 Auditors' Report and special remarks on "The Company's Internal Control Self-Assessment Report (2009)".

The audit committee is of the opinion that the audit performance of KPMG on the Company's 2009 financial statements is satisfactory.

The audit committee resolved to propose to the Board for approval the re-appointment of KPMG Huazhen Certified Public Accountants to audit the Company's 2010 financial statements according to the PRC and international accounting standards, and to present the internal control audit report according to the requirements of the regulatory bodies.

B. Remuneration and nomination committee's performance of duties

During the year under review, the remuneration and nomination committee maintained regular contact with the management, held several debriefing sessions where the management reported their work, and convened several communication meetings to discuss the adjustment to the remuneration incentive proposal and the reform of staff benefits policy.

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

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

9. Profit Appropriation and Dividend Distribution Proposal

The Company's profit appropriation and dividend distribution was based on the Company's profit available for appropriation. Details on the profit available for appropriation of the Group and the Company in 2009 according to PRC Accounting Standards are as follows:

Unit: RMB

	The Group	The Company
Profit available for appropriation after taxation*	10,964,255,202.76	2,941,228,262.80
Include: Net profit for 2009	5,329,737,727.00	2,874,475,278.28
Profit available for appropriation at the beginning of the year	6,184,277,986.66	616,513,495.42
Allocation of dividend for 2008	(549,760,510.90)	(549,760,510.90)

*The significant difference between the profit of the Company and consolidated profit of the Group is attributable to the cost method used for recording investment in subsidiaries after the adoption of "Accounting Standards for Business Enterprises 2006". According to the Company Law, the subsidiaries' surplus reserve is retained in the subsidiaries and subsidiaries' profit for the year has yet to be appropriated to the Company.

According to the relevant rules and requirements of the Company's Articles of Association, and considering shareholders' interests and the Company's development needs in the long run, the Board of Directors submitted to the shareholders meeting the following profit appropriation proposal for the year 2009:

1. to appropriate 10 per cent of the net profit of the Company to statutory surplus reserve;
2. to appropriate 65 per cent of the net profit of the Company to discretionary surplus reserve;
3. to appropriate 25 per cent of the net profit of the Company and the unappropriated profit of last year for dividend distribution fund;

The appropriation of the profit available for appropriation for the year 2009 is as follows:

Unit: RMB

	The Company	As a percentage of the Company's net profit for the year	As a percentage of the Company's consolidated net profit for the year
Net profit of 2009	2,874,475,278.28	100%	53.93%
Transfer to statutory surplus reserve	287,447,527.83	10%	5.39%
Transfer to discretionary surplus reserve	1,868,408,930.88	65%	35.06%
Transfer to 2009 dividend distribution fund	718,618,819.57	25%	13.48%
Profit available for appropriation at the beginning of the year	66,752,984.52	-	-
Distribution of cash dividend for 2009	769,664,715.26	26.78%	14.44%
Retained profit for appropriation for the following financial year	15,707,088.83	-	-

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

Unit: RMB

Year	Cash dividend (before tax)	Net profit attributable to the Company	Consolidated net profit attributable to the Company	As a percentage of the net profit attributable to the Company	As a percentage of the consolidated net profit attributable to the Company	Profit available for appropriation for the year
2008	549,760,510.90	1,582,019,762.35	4,033,170,027.89	34.75%	13.63%	7,370,792,808.42
2007	687,200,638.70	1,727,621,268.51	4,844,235,494.21	39.78%	14.19%	5,026,288,447.07
2006	649,427,190.90	2,297,883,766.18	2,297,883,766.18	28.26%	28.26%	2,339,727,664.40
Accumulated cash dividend in the past 3 years as a percentage to the average net profit of past three years				50.64%		

Remark: Net profit attributable to the Company for 2006 is retrospectively adjusted in accordance with the new accounting principals.

Dividend distribution proposal: A cash dividend of RMB0.7 (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 2009, the total amount of cash dividends for distribution for 2009 will be RMB769,664,715.26.

10. Media for Disclosure of Information

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

IX. Report of Supervisory Committee

2009 was certainly a year to remember. After making tremendous effort, the Company succeeded in regaining its growth momentum.

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

1. Supervisory Committee Meetings and Resolutions of Such Meetings

In 2009, a total of four meetings were held by the Supervisory Committee. The details of the meetings and resolutions are as follows:

(1) The 9th Meeting of the 6th Supervisory Committee was held on 6 March 2009. The meeting considered and approved the resolution regarding the appropriation and write-off of the provision for diminution in asset value for the year 2008; the audited financial report for the year 2008; the proposal on profit appropriation and dividend distribution for the year 2008; the internal control self-assessment report for the year 2008; the

special remarks on the deposit and use of the proceeds raised in 2008; the Report of the Supervisory Committee for the year 2008; the Company's 2008 annual report and its summary; the resolution regarding the appointment of certified public accountants for the year 2009.
(2) The 10th Meeting of the 6th Supervisory Committee was held on 24 April 2009. The meeting considered and approved the Company's 2009 first quarterly report and financial statements.
(3) The 11th Meeting of the 6th Supervisory Committee was held on 31 July 2009. The meeting considered and approved the resolution regarding the Company's 2009 interim report, its summary and financial statements; the resolution regarding the proposals of no dividend distribution and transfer of capital surplus reserve to share capital for the 2009 interim period.
(4) The 12th Meeting of the 6th Supervisory Committee was held on 22 October 2009. The meeting considered and approved the Company's 2009 Third Quarterly Report.

2. Inspection Tours by the Supervisory Committee

To strengthen control over internal risks, the Supervisory Committee, in line with the Company's internal control development, paid more site-visits to and intensified inspection of all levels of subsidiaries. During the year under review, the Supervisory Committee conducted inspection tours to 8 front-line companies. Through on-site investigation, individual interviews, group meetings, the Supervisory Committee had inspected and supervised various aspects including the implementation of the Company's development strategy, self-regulation of management staff of front-line companies, protection of employees' interests, implementation of "Labour Contract Law", progress of internal control development, and the reform on property.

The Supervisory Committee further arranged inspection tours for certain directors to companies in Fuzhou and Chongqing, etc. During the tours, they focused on understanding these companies' financial situation, progress of implementation of business plans, the differences between the planned and actual cost, procurement, construction schedule and sales of major projects, changes and reasons for the changes in employees, measures used to protect employees' interests and results thereof. Through all of the above, the Supervisory Committee had a thorough understanding of the operation and development of the Company in different cities.

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

(1) Statutory compliance: During the year, the members of the Supervisory Committee attended every Board Meeting, supervised through reviewing reports and on-site inspection as well as participated in the evaluation of the development of part of the internal control system. The Supervisory Committee is of the opinion that through the intensification of internal control, the Company's decision-making process will be further regulated and corporate governance structure will be further optimized. In 2009, the directors and management team of the Company diligently carried out their duties, and none of their acts had violated the law, regulations, the Company's Articles of Association, nor had they prejudiced the Company's, shareholders' and employees' interests.

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

(3) Use of proceeds from fund raising exercises: Through reviewing financial statements, inspecting investment projects, etc, the Supervisory Committee traced and inspected the use of proceeds raised from the subsequent offer of A shares in 2007 and the issue of corporate bonds in 2008. The Supervisory Committee is of the opinion that the proceeds have been used appropriately and the actual investments in various projects were in line with the amount earmarked for use in the designated investment projects.

(4) Major asset acquisitions and disposals as well as connected transactions: In 2009, the Company did not have any major asset acquisitions and disposals, nor any connected transactions.

In 2010, the Supervisory Committee will increase its support for the Company's internal control development, and intensify its supervision in achieving the target of prefabricated housing and green building. It will fully leverage its values by remaining proactive and vigilant on changes in both internal and external factors that affect the operation and management of the Company.

X. Significant Events

1. Material Litigation and Arbitration

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

2. Major Acquisition and Disposal of Assets

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

3. Major Connected Transactions

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

4. Implementation of the Restricted Stock Incentive Plan

(1) **The relevant procedures and overview of the implementation of the Restricted Stock Incentive Plan**

Phase One (2006-2008) of the Company's Restricted Stock Incentive Plan ("Phase One Incentive Plan") was approved by the Company's 14th Board in 2006 and was filed on record by CSRC without objection, and was approved at the Company's 2005 Annual General Meeting. The basic operating mechanism of the incentive plan is as follows: the Company adopts the method of advanced appropriation plus supplementary appropriation for the incentive fund as the incentive for the beneficiaries of the incentive plan. The beneficiaries authorise the Company to appoint a trustee, who will operate on an independent basis, to use the aforesaid incentive fund to purchase the Company's listed A shares within a specified period and to transfer all the restricted shares to the accounts of the beneficiaries of the incentive plan upon fulfilment of conditions.

Phase One Incentive Plan consists of three individual plans for the years of 2006, 2007 and 2008, respectively. Pursuant to the authorisation of the beneficiaries, the Company appointed an independent third party as the Company's trustee, who set up three independent trusts for the management of the three relatively independent incentive plans, respectively. Implementation of the incentive plan for the year 2006 was completed on 11 September 2008 after the prescribed business performance target and share price condition had been met. With regard to the incentive plan for the year 2008, implementation of this plan was terminated during the year under review because the prescribed business performance target had not been met.

The incentive plan for the year 2007 met the prescribed business performance target. However, the share price condition could not be met during the year under review, which was also the supplementary vesting period. At the end of the year under review, it was confirmed that the share price condition could not be met, and implementation of the incentive plan for that year was therefore terminated. As at the publication date of this announcement, the execution of the Company's Phase One Incentive Plan has completed according to procedure.

(2) Appropriation for incentive fund for Phase One Incentive Plan during the year under review

There was no appropriation for incentive fund for Phase One Incentive Plan during the year under review.

(3) Changes in the incentive stock under Phase One Incentive Plan during the year under review

Since the prescribed business performance target could not be met, all the 60,925,820 Vanke A shares held by the 2008 incentive plan during the year under review were sold after the publication of the "Announcement regarding termination of the implementation of the restricted stock incentive plan for year 2008" on 14 April 2009 in accordance with the provisions.

On 8 June 2009, the Company implemented the proposal on dividend distribution for the year 2008. The shares held by the 2007 incentive plan were entitled to a dividend amount of RMB2,317,088.05. According to the provisions of the incentive plan, the aforementioned amount of dividends was used to purchase 210,000 Vanke A shares. The Vanke A shares held by the 2007 incentive plan increased from 46,341,761 shares as at the end of 2008 to 46,551,761 shares.

After the end of year 2009, the Company published the "Announcement regarding termination of the implementation of the restricted stock incentive plan for year 2007" on 5 January 2010 because the share price condition for the 2007 incentive plan could not be met. As at the publication date of this announcement, all the 46,551,761 Vanke A shares held by the 2007 incentive plan had been sold.

(4) Appraisal of beneficiaries and adjustment to the qualification of a beneficiary
According to the requirements of the Phase One Incentive Plan, the allotment policy of Phase One Incentive Plan is determined based on the combination of responsibilities, rights and obligations, including the duties and performance of the beneficiaries. There had not been any change in the scope of qualified beneficiaries during the year under review.

(5) Termination of the implementation of the Phase One Incentive Plan during the year under review
During the year under review, the Company's net profit after deducting extraordinary gains/(losses) for 2008 declined by 15.61 per cent from that of 2007. The incentive plan for year 2008 was confirmed being terminated because the business performance target "to achieve a growth rate of over 15 per cent in net profit after extraordinary gains or losses", which was stipulated in Provision No 12 of Phase One Incentive Plan, could not be met. The 60,925,820 Vanke A shares held by the 2008 incentive plan were all sold on the secondary market within the tradable window period after the Company published the announcement regarding the termination of implementation. The proceeds from the sale of shares amounted to RMB620,003,685.63. All the funds and accrued interest of the 2008 incentive plan in the aggregate amount of RMB620,656,308.20 had been transferred to a designated account of the Company. Termination of implementation of the 2008 incentive plan had been completed.

During the year under review, the incentive plan for year 2007 met the business performance target. However, taking 1 January 2007 as the base day, the average closing price of Vanke A shares in 2008 after ex-right price backward adjustment was RMB25.79, which was lower than RMB33.66, being the average closing price of Vanke A shares in 2007 after ex-right price backward adjustment. As such, the share price condition for 2007 incentive plan could not be met. According to the requirements of Phase One Incentive Plan, the 2007 incentive plan entered the supplementary vesting period during the year under review.

At the end of 2009, taking 1 January 2007 as the base day, the average closing price of Vanke A shares in 2009 after ex-right price backward adjustment was RMB25.50, which was lower than RMB33.66, being the average closing price of Vanke A shares in 2007 after ex-right price backward adjustment. The vesting conditions for the restricted shares held by the 2007 incentive plan were confirmed not being met. The trustee sold all the 46,551,761 Vanke A shares held by the 2007 incentive plan within the tradable window period from the date of publication of the announcement regarding the termination of implementation of the 2007 incentive plan. The proceeds from the sale of shares amounted to RMB468,575,915.48. All the funds and accrued interest of the 2007 incentive plan in the aggregate amount of RMB468,728,083.89 had been transferred to a designated account of the Company. Termination of implementation of the 2007 incentive plan had been completed.

(6) Accounting treatment of Phase One Incentive Plan and its impact on the financial situation and operating results

Pursuant to the requirements of Provision No. 15 (3) of the Phase One Incentive Plan, the incentive plan will appropriate for an incentive fund in accordance with the relevant requirements of "Issue No. 2 Q&A regarding the regulation of information disclosure of public listed companies – Appropriation of incentive fund for mid-level and senior management" (Zhengjian Kuaiji Zi [2001] No. 15), and recognise it as cost. During the implementation of the incentive plan, the Ministry of Finance issued the "Notice regarding the publication of the details of the 38 standards including the 'Accounting Standards for Business Enterprises No. 1 – Inventory'" (Caikuai [2006] Document No. 3). Pursuant to the requirements of the notice, accounting treatment had been made to the Company's Phase One Incentive Plan in accordance with the "Accounting Standards for Business Enterprises No. 11 – Share-based payment" since 2006. In accordance with the relevant accounting standards, the Phase One Incentive Plan is an arrangement of share-based payment through equity settlement, and beneficiary's services are recognised as cost basing on the fair value of the equity instrument, while increasing the capital reserve at the same time. At the time of incentive fund appropriation, deduct "Bank deposit" and recognise in the "capital reserve —stock incentive trust fund", as the deduction of capital reserve; at the time of incentive fund amortisation, increase "Administration fee" and recognise in the "capital reserve —stock incentive reserve", as the increase of capital reserve; if termination of the incentive plan is confirmed, the proceeds from the sale of shares will be returned to the Company, and increase "Bank deposit", while increasing capital reserve.

The Phase One Incentive Plan uses the Monte Carlo Simulation method to assess the fair value of incentive plan of each year. The incentive fund for every year is amortised using the straight line method during the waiting period of each incentive plan. Amortisation of the 2006 incentive fund and 2007 incentive fund had been completed. For details please refer to 2008 annual report of the Company.

Since the business performance target of the 2008 incentive plan had not been reached, no actual administrative fee had been incurred from the pre-appropriation of the 2008 incentive fund. During the year under review, implementation of the 2008 incentive plan was terminated. The proceeds from the sale of Vanke A shares held by the 2008 incentive plan, together with the accrued interest in the aggregate amount of RMB620,656,308.20 had been transferred to a designated account of the Company. The Company's capital reserve increased accordingly.

For details of the above-mentioned accounting treatment for the Phase One Incentive Plan, please refer to Note 10 – Share-based payment and Note 15 – Capital reserve.

5. Major Contracts and Their Implementation

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

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

No.	Guarantor (% of equity interest held by China Vanke)	Company for which guarantee was granted (% of equity interest held by China Vanke)	Guarantee amount	Remarks	Guarantee Period
1	China Vanke Co., Ltd.	Tianjin Xinghai Real Estate Co., Ltd. （55%）	RMB16.5 million	Provided a guarantee in proportion to the Company's equity holding (55%) for a bank loan of RMB30 million	from 27 March 2009, withdrawn by now
2	China Vanke Co., Ltd.	Shenzhen Vanke Real Estate Co. Ltd.（100%）	RMB120 million	Provided a guarantee in proportion to the Company's equity holding (100%) for a bank loan of RMB120 million	29 April 2009 to 29 April 2012
3	Shenzhen Vanke Real Estate Co., Ltd.	Dongguan Xinwan Real Estate Development Co., Ltd.（51%）	RMB204 million	Provided a guarantee in proportion to the Company's equity holding (51%) for a bank loan of RMB400 million	30 July 2009 to 30 July 2011
4	Shenzhen Vanke Real Estate Co., Ltd.	Dongguan Xinwan Real Estate Development Co., Ltd.（51%）	RMB102 million	Provided a guarantee in proportion to the Company's equity holding (51%) for a bank loan of RMB200 million	25 September 2009 to 30 July 2011
5	Shanghai Vanke Real Estate Co., Ltd.	Shanghai Dijie Property Co., Ltd.（50%）	RMB110 million	Provided a guarantee for a bank loan of RMB110 million	23 October 2009 to 30 April 2011
6	Chengdu Vanke Real Estate Co., Ltd.	Chengdu Yihang Vanke Binjiang Real Estate Development Co., Ltd. （49%）	RMB15 million	Provided a guarantee in proportion to the Company's equity holding (15%) for a bank loan of RMB100 million	22 December 2009 to 21 December 2012

Remark: The Company hold 49% equity interest of Chengdu Yihang Vanke Binjiang Real Estate Development Co., Ltd via direct and indirect investment, among which the direct equity interest accounts for 15%.

During the year under review, the new amount of guarantees (including counter guarantees) made by the Company and its subsidiaries was RMB568 million, and the amount of guarantees withdrawn was RMB1,548 million. As at the end of the year under review, the outstanding amount of guarantees made by the Company was RMB1,241 million (due to changes in exchange rate, there was a slight adjustment in the outstanding amount of guarantees as at the beginning of the year), accounting for 3.3 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 RMB1,226 million, the outstanding amount of guarantees made by the Company and its majority-owned subsidiaries for associated and joint venture companies was RMB15 million. As at the end of the year under review, the Company and its majority-owned subsidiaries did not have any external guarantees.

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

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

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

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

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 guarantees are legal and reasonable without prejudice to the interests of the Company and its shareholders.

7. Implementation of the Undertakings Given by the Company or Shareholders Holding 5% or More of the Equity Interests in the Company

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

For the private placing of A shares in 2006, CRC undertook to be subject to a lock-up period of 36 months for the subscribed shares of its own accord. The related undertakings had been strictly fulfilled. The selling restrictions on the 264,000,000 restricted tradable shares from 2006 private placing currently held by CRC were lifted on 29 December 2009.

8. Interaction with investors

In 2009, the Company has further strengthened its interaction with investors. During the year, the Company received over 600 investor visits, participated in over 70 large-scale investor meetings of both domestic and international corporations. The Company also organised 4 investor meetings, 2 visits to institutional investors, and 2 online presentations. In addition, via telephone and e-mail, the Company communicated with and gathered opinions from investors, as well as disseminated its information. The Company has also built an online system to make timely response to different investor requests. It also strove to enhance transparency, to increase trust with investors.

During 2009, the Company received the "Listed Company with Best Investor Relations in 2009" award jointly granted by Hexun.com and SEEC, as well as that jointly given by cnfol.com, caifucn.com, chinafund.cn, gold.org.cn and chinaforex.com.cn. The Company was also given the awards of The Most Popular Listed Company's Website Among Investors, Best Website for Information Disclosure, and 100 Best Board Secretary by Securities Times. In the 5th "New Fortune Golden Board Secretary" selection, the Company's Board Secretary was named again as the Golden Board Secretary and the Most Popular Board Secretary among Investors.

Details on the Company's investor meetings in 2009:

Type of meeting	Date	Location	Approach	Classification of visitors	Issues discussed and information provided
Goldman Sachs meeting	2009.1	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc	(I) Major issues discussed: (1) The Company's daily operations;
UBS meeting	2009.1	Shanghai	Face to Face Meeting	Investors including securities companies, funds, etc	
Deutsche Bank meeting	2009.1	Beijing	Face to Face Meeting	Investors including securities companies, funds, etc	

Pingan Securities meeting	2009.1	Shenzhen	Face to Face Meeting	Investors including securities companies, funds, etc	(2)The Company's development strategies; (3)The Company's opinion on the changes in the industry. (II) Major information provided: Published information including the Company's regular reports.
United Securities meeting	2009.1	Shenzhen	Face to Face Meeting	Investors including securities companies, funds, etc	
Merrill Lynch meeting	2009.1	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc	
Daiwa Securities meeting	2009.2	Tokyo	Face to Face Meeting	Investors including securities companies, funds, etc	
CLSA Securities meeting	2009.2	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc	
CITIC Securities meeting	2009.2	Shenzhen	Face to Face Meeting	Investors including securities companies, funds, etc	
China Merchants Securities meeting	2009.2	Shenzhen	Face to Face Meeting	Investors including securities companies, funds, etc	
Annual results presentation	2009.3	Hong Kong, Shenzhen (Shanghai and Beijing)	Face to Face Meeting	Investors including securities companies, funds, individual investors, etc	
CLSA meeting	2009.3	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc	
Credit Suisse meeting	2009.3	Hokng Kong	Face to Face Meeting	Investors including securities companies, funds, etc	
UBS meeting	2009.3	Shenzhen	Face to Face Meeting	Investors including securities companies, funds, etc	
Shenyin Wanguo Meeting	2009.4	Beijing	Face to Face Meeting	Investors including securities companies, funds, etc	
Deutsche Bank meeting	2009.5	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc	
Macquarie meeting	2009.5	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc	
BOCI meeting	2009.5	Chengdu	Face to Face Meeting	Investors including securities companies, funds, etc	
CICC meeting	2009.5	Beijing	Face to Face Meeting	Investors including securities companies, funds, etc	
CLSA meeting	2009.5	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc	
Pingan Securities meeting	2009.5	Shenzhen	Face to Face Meeting	Investors including securities companies, funds, etc	
JP Morgan meeting	2009.6	Beijing	Face to Face Meeting	Investors including securities companies, funds, etc	
Essence securities meeting	2009.6	Shenzhen	Face to Face Meeting	Investors including securities companies, funds, etc	
CITIC securities meeting	2009.6	Chengdu	Face to Face Meeting	Investors including securities companies, funds, etc	
Guotai Junan meeting	2009.6	Shenzhen	Face to Face Meeting	Investors including securities companies, funds, etc	
China Merchants Securities meeting	2009.6	Shenzhen	Face to Face Meeting	Investors including securities companies, funds, etc	
Industrial securities meeting	2009.6	Shanghai	Face to Face Meeting	Investors including securities companies, funds, etc	
Great Wall Securities meeting	2009.6	Beijing	Face to Face Meeting	Investors including securities companies, funds, etc	
UBS meeting	2009.6	Beijing	Face to Face Meeting	Investors including securities companies, funds, etc	
Morgan Stanley meeting	2009.7	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc	
Deutsche Bank meeting	2009.7	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc	
Guosen Securities meeting	2009.7	Chongqing	Face to Face Meeting	Investors including securities companies, funds, etc	
Nomura Securities meeting	2009.7	Singapore	Face to Face Meeting	Investors including securities companies, funds, etc	
Macquarie meeting	2009.7	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc	
Sinolink Securities meeting	2009.7	Guilin	Face to Face Meeting	Investors including securities companies, funds, etc	
Goldman Sachs meeting	2009.7	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc	
Interim results presentation	2009.8	Hong Kong , Shenzhen (Shanghai Beijing)	Face to Face Meeting	Investors including securities companies, funds, individual investors, etc	
United Securities meeting	2009.8	Beijing	Face to Face Meeting	Investors including securities companies, funds, etc	
China Jianyin Investment Securities meeting	2009.8	Beijing	Face to Face Meeting	Investors including securities companies, funds, etc	

Changjiang Securities meeting	2009.8	Beijing	Face to Face Meeting	Investors including securities companies, funds, etc	
Shenyin Wanguo meeting	2009.8	Hangzhou	Face to Face Meeting	Investors including securities companies, funds, etc	
Guotai Junan meeting	2009.8	Shenzhen	Face to Face Meeting	Investors including securities companies, funds, etc	
JP Morgan meeting	2009.9	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc	
Nomura Securities meeting	2009.9	Beijing	Face to Face Meeting	Investors including securities companies, funds, etc	
Everbright Securities meeting	2009.9	Shanghai	Face to Face Meeting	Investors including securities companies, funds, etc	
CICC meeting	2009.9	Shanghai	Face to Face Meeting	Investors including securities companies, funds, etc	
CLSA meeting	2009.9	Shanghai	Face to Face Meeting	Investors including securities companies, funds, etc	
Sinolink Securities meeting	2009.9	Shenzhen	Face to Face Meeting	Investors including securities companies, funds, etc	
UBS meeting	2009.9	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc	
CLSA meeting	2009.9	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc	
BNP meeting	2009.10	Changsha	Face to Face Meeting	Investors including securities companies, funds, etc	
Goldman Sachs Gao Hua meeting	2009.11	Beijing	Face to Face Meeting	Investors including securities companies, funds, etc	
Merrill Lynch meeting	2009.11	Beijing	Face to Face Meeting	Investors including securities companies, funds, etc	
Credit Suisse meeting	2009.11	Shenzhen	Face to Face Meeting	Investors including securities companies, funds, etc	
Sinolink Securities meeting	2009.11	Zhuhai	Face to Face Meeting	Investors including securities companies, funds, etc	
Morgan Stanley meeting	2009.11	Singapore	Face to Face Meeting	Investors including securities companies, funds, etc	
Daiwa Securities meeting	2009.11	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc	
Industrial Securities meeting	2009.11	Shenzhen	Face to Face Meeting	Investors including securities companies, funds, etc	
Everbright Securities meeting	2009.11	Shanghai	Face to Face Meeting	Investors including securities companies, funds, etc	
CLSA Securities meeting	2009.12	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc	
Pingan Securities meeting	2009.12	Shenzhen	Face to Face Meeting	Investors including securities companies, funds, etc	
Merrill Lynch meeting	2009.12	Hong Kong	Face to Face Meeting	Investors including securities companies, funds, etc	
Shenyin Wanguo meeting	2009.12	Shanghai	Face to Face Meeting	Investors including securities companies, funds, etc	
Great Wall Securities meeting	2009.12	Shenzhen	Face to Face Meeting	Investors including securities companies, funds, etc	
Southwest Securities meeting	2009.12	Sanya	Face to Face Meeting	Investors including securities companies, funds, etc	
Citic Securities meeting	2009.12	Kunming	Face to Face Meeting	Investors including securities companies, funds, etc	
Guosen Securities meeting	2009.12	Shenzhen	Face to Face Meeting	Investors including securities companies, funds, etc	
Essence Securities meeting	2009.12	Shenzhen	Face to Face Meeting	Investors including securities companies, funds, etc	
Note: The above-mentioned meetings included one-on-one meetings, small group meetings and large group presentation. The Company received or met with investors from over 50 companies.					

Securities companies	During the year under review	Shenzhen, Dongguan, Guangzhou, Foshan, Xiamen, Fuzhou, Shanghai, Hangzhou, Suzhou, Nanjing, Wuxi, Ningbo, Beijing, Tianjin, Shenyang, Dalian, Qingdao, Wuhan, Chengdu, Chongqing, Changsha, etc.	Small group or one-on-one	Goldman Sachs, Shenyin Wanguo, CLSA, UBS, Macquarie, First Shanghai, JP Morgan, Morgan Stanley, Everbright Securities, Citi, Goldman Sachs Gao Hua, CITIC Securities, Deutsche Bank, Credit Suisse, Nomura Securities, Changjiang Securities, CICC, BOCI, Hongta Securities, Donghai Securities, Guodu Securities, China Merchants Securities, ABN Amro, Mitsubishi UFJ, Essence Securities, United Securities, Pingan Securities, Taishin Securities, HSBC, Yuanta Securities, Daiwa Securities, Southchina Securities, CSC International, Merrill Lynch, CCB International Securities, Great Wall Securities, Guosen Securities, Guangzhou Securities, Jih Sun Securities, Toyo Securities, KGI Securities, Haitong Securities, Great Wall Securities, China Jianyin Investment Securities, Guotai Junan, Taifook Securities, Guangfa Securities, Royal Bank of Scotland, BNP, DBS Vickers, Research-works, TY Advisor, CIBC, etc.	

Funds and other investment companies and individual investors	During the year under review	Shenzhen, Dongguan, Guangzhou, Foshan, Xiamen, Fuzhou, Shanghai, Hangzhou, Suzhou, Nanjing, Wuxi, Ningbo, Beijing, Tianjin, Shenyang, Dalian, Wuhan, Chengdu, Chongqing, Changsha, etc.	Small group or one-on-one	China Galaxy Investment Management Company Limited (中国银河投资管理有限公司), Dalian Chenxi Investment Company (大连晨曦投资公司), China Life, E Fund, China AMC, Greenwoods Asset Management, Harvest Fund, Fortis Haitong Fund, Bosera Fund, Fullgoal Fund, Southern Fund, China Universal Fund, China Life Franklin Asset Management Co., Limited, Mirae Fund, Zhonghai Fund, Taikang Life, Cephei Investments, Bank of Communications Schroder Fund, Dacheng Fund, Lion Fund, Invesco Great Wall Fund, Guangfa Fund, Hua An Fund, Rongtong Fund, Fuh Hwa Securities Investment Trust, Sinowise, CCB Principal Asset Management, Yinhua Fund, Beijing Ding Tian Investment Management Company Limited, Franklin Templeton Sealand Fund, Waddell & Reed Investment Management Co., ICBC Credit Suisse Asset Management, Capital Investment Trust, Cathay Life Insurance, CICC Asset Management, New China Life, Changsheng Fund, Shanghai Congrong Investment, ABN AMRO Teda Fund, BOCI Fund, Everbright Pramerica Fund, Great Wall Fund, Aegon-Industrial Fund, Guotai AMC, China International Fund Management, Tianhong Fund, Tiansun Investment Management (天隼投资管理咨询有限公司), China Investment Corporation, Ignis Investment Services Limited, Emerging Markets Mgmt LLC, Fortress Investment Group, ING Real Estate, Cohen & Steers, Galleon Asia, JPMorgan Asset Management, Fidelity, Bain Capital, Portman Holdings,UBS AG, UBS Global Asset Management, Rexiter, American Century Investment, CM Asia Pacific, Hamon Asset Management Limited, Blackstone Group Asia Limited, Fox-Pitt, Sansar, Oppenheimer Fund, Acru Asset Management, HT Capital, MFC Global Investment Management, Broad Peak Investment, Sloane Robinson, Alliance Bernstein, Lansdowne, Templeton, Marshall Wace, T Rowe Price, Robeco, Kingdon Capital, TPG － Axon, Tiger Asia, Montpelier Asset Management, Joho Partner, Newton Investment Management, BEA Union Investment, JF Asset Management, Farallon, Hellman& Friedman, Capital, PMA, Soros Capital Management, Partner Fund, Keywise Capital, Blue Ridge, Norges Bank, APG Investments, Janus Capital, MICH Investments, Highbridge, Sumitomo Trust & Banking, Piper Jaffray & Co., Triskele Capital Management Limited, Marverick Capital, Bennelong, Dragon Back, Union Investment Privatfords GMBH, AMP Capital, Henderson Global, Marvin & Palmer, Harding Loevner LLC, UOB Kay Hian, GLG Partners LP, DIAM Asset Management, TIAA CREF, GMO, Owl Creek Asset Management, Buena Vista Fund, Dodge and Cox US, Tiedemann, Aberdeen, Tiburon Partners, Clairvoyance, Mirae Asset Inv Mgmt, SAC Capital, ABC-CA Fund Mgmt, Daiwa Asset Management, Fair Asset Management, NPJ AM, Boyer Allan Investment Management, GE Asset Management, Jupiter Asset Management Ltd,	

				Kelusa Capital, Alpine Woods Capital, GIC, Kylin Fund, Orange Capital Partners, Wellington, Black Rock, Allegiant Asset Management Company, Lazard Asset Management, Putnam Investments, William Blair, Kingdom, Emperor Investments, Mitsubishi UFJ, Moon Capital, Hamblin Watsa Investment, Wide Gain Investment Limited, Och-Ziff, Hansberger Global Investors Inc, China Rock, Comgest Far East Ltd, Credit Agricole (Suisse) SA Singapore, Cypress Lane Capital Limited, D.E. Shaw & Co LP, Deutsche Asset Management (Asia) Ltd, DnB NOR Asset Management (Asia) Limited, Duquesne Capital Management, L.L.C., Frontier Asia Fund, GF Asset Management (Hong Kong)Ltd, Hill House Capital Management Ltd, ING Clarion Real Estate Securities, Invesco Hong Kong Limited, Lapp Capital Private Ltd, Legg Mason International Equities, Passport Capital LLC, Pictet & Cie, Geneva, Redwood Investment Management (Asia) Ltd, SUN Partners Investment Management Limited, Sloane Robinson LLP, Star Master Fund, The Children's Inv Fd Mgt (UK) LLP, Amoeba Capital Asia Fund, Prudential Asset Management, Kesula Capital LLC, Battery March, Shumway Capital, Jetstream Capital, Sumitomo Mitsui Asset Mgmt , Wide Gain International Investment Co. Limited, Chilton Investment Company, Avenue Capital Group, American Century, Brooke Capital, Thornburg Investment Management, ZBI Europe, Gartmore Investment Ltd, Martin Currie Investment Management, Absolute Partners Management Ltd, Level Global, Viking Global, Habrok Captial Mgt, HQ Fonder, Geosphere Capital, Ward Ferry, Discovery Capital, Serengeti, AXA IM, FIM Asset Mgmt, Grand River Investment, PNC Captial Advisor, Dongbu Asset Management, F&C Asset Management, Carmignac Gestion, Temasek Holding, First State, Emirates Tarian, Fullerton Fund Management, Firth Investment, Primero, Clough Capital, Perennial Real Estate, Polaris International Securities Investment Trust Corp, Prudential Financial Investment Trust Corp, Fubon Asset Management Trust Corp, Fox Point Capital, Cascabel Management, Touradji Capital Management, Ziff Brothers Investments, Lasalle, etc	

9.Corporate bonds and related matters

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

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

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

10.Other investments

10.1 Investment of securities

No.

10.2 Equity interests held in other listed companies

Stock code	**Stock abbreviation**	**Initial investment amount**	**Percentage of shareholdings**	**Booked value as at the end of the year under review**	**Gains/(losses)during the year under review**	**Changes in equity attributable to equity holders during the year under review**
000001	Shenzhen Development Bank Co., Ltd – A	11,582,347.80	0.10%	73,449,230.40	-	44,937,547.20
600697	Changchun Eurasia Group Co., Ltd	5,070,000.00	1.18%	45,977,808.62	563,683.80	18,827,038.92
600680	Shanghai Potevio Co., Ltd.	7,076,961.71	0.90%	39,438,833.64	6,939,556.67	16,950,190.40
600751	SST Tianjin Marine Shipping Co., Ltd.	143,600.00	0.04%	143,600.00	-	-
Total		**23,872,909.51**	**-**	**159,009,472.66**	**7,503,240.47**	**80,714,776.52**

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

2. During the year under review, the equity interests held in Shanghai Potevio Co., Ltd. by the Company had been disposed. Gains from the disposal of the equity interests have been recognised as "investment income". The change in fair value of other equity interests at the end of the year under review increased the "tradable financial assets", and correspondingly increased "capital reserve".

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 capital risk associated with the fluctuations of exchange rate for foreign currency loans, the Company entered into a non-deliverable forward ("NDF") contract to hedge a US$15.84 million and US$19.8 million foreign currency loan in 2007. NDF is used to hedge against the risk arising from the change in exchange rate by fixing a forward exchange rate on the notional amount during the term of the contract. During the year under review, the NDF reached maturity and was settled. 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 a US$67.75 million floating rate foreign currency loan during the year under review. 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 a fixed rate to the counterparty.
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 aforementioned NDF value on the Company's profit or loss during the year under review amounted to RMB1,694,880.00. The fair value of the NDF was determined with reference to the market rate of NDF which matured on the same day; the effect of the change in the aforementioned IRS value on the Company's profit or loss during the year under review amounted to RMB740,470.77. The value of the IRS was determined based on the the price quoted in the agreement dated 31 December 2009

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 and financial advisors	The Company’s independent directors are of the view that financial instruments such as NDF and IRS reduced the loss associated with foreign currency loan in the event of significant fluctuations in exchange rate and interest rate. The relevant arrangement of the Company has been prudent and reasonable.

Derivative positions as at the end of the year under review

Unit: RMB’000

Type of contracts	Contract amount as at the beginning of the year	Contract amount as at the end of the year	Profit/loss during the year under review	Contract amount as at the end of the year as a percentage of the Company’s net assets as at the end of 2009 (%)
Interest rate swap (IRS) agreement	0	462,610.6	740.5	1.24
Total		**462,610.6**	**740.5**	**1.24**

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 2008 Annual General Meeting resolved to confirm the appointment of KPMG Huazhen Certified Public Accountants as the Company’s auditors for the year 2009. The following table shows the details on the appointment of the certified public accountants of the Company:

Audited item	2009		Year of service	2008	
	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	RMB6,800,000.00	9 years	KPMG Huazhen Certified Public Accountants	RMB7,500,000.00
The Group’s consolidated financial statements prepared in accordance with the IFRS			17 years		

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

13. Was there any disciplinary action was taken against the Company and the Company’s Directors, members of Supervisory Committee and senior management during the year under review.

Nil.

XI. Chronology of 2009

On 11 May 2009, Blocks B3 and B4 of Holiday Town Project developed by China Vanke and COFCO were named as the pilot project of housing prefabrication in Beijing.

On 1 June 2009, Zundao Zhongxin Kindergarten funded by the Company was ready for use.

On 30 June 2009, the handover ceremony of Xiang'e Government Administrative Centre, construction aid for which was provided by the Company, was successfully held.

On 29 July 2009, the foundation laying ceremony of "2049" – China Vanke Pavilion in Puxi Area, the Shanghai World Expo was held.

On 17 August 2009, China Construction Bank Corporation entered into a "Strategic Collaboration Agreement" with the Company, providing the Company with a credit line of RMB50 billion.

On 17 August 2009, the signing of the agreement on the Company's strategic partnership for standardisation of fully furbished units with a theme on "Green Home, Healthy Family".

On 15 September 2009, the Company's resolution regarding the proposal on the public offer of new A shares was approved at a shareholders' meeting.

On 29 September 2009, the Company's headquarters officially moved to Vanke Center in Dameisha, Shenzhen.

On 6 October 2009, "Bless the Children with Love", a special funded project of China Vanke in Sichuan was launched in Chengdu.

On 9 December 2009, the Company's four projects, namely Phases I, II and III of Wonderland in Beijing, Dream Town in Guangzhou, Phase I of Glamorous City in Shenyang, and The Peninsula, Wonderland in Wuhan received the "Golden Prize of Excellent Residential Community of Zhan Tianyou Award in 2009" from China Civil Engineering Society. Phase I of New Elm Mansion in Shenyang won the title of Excellent Planning for Residential Community of Zhan Tianyou Award from China Civil Engineering Society.

XII. Financial Report

China Vanke Co., Ltd.

萬科企業股份有限公司

31 December 2009

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 with the Company referred to as the "Group"), which comprise the consolidated balance sheet as at 31 December 2009, and 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 a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

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

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

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)

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 2009, 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
26 February 2010

Consolidated income statement for the year ended 31 December 2009

(Expressed in Renminbi Yuan)

	Note	*2009*	*2008*
Revenue	8	46,047,893,250	38,619,214,077
Cost of sales		(34,056,087,552)	(26,299,201,645)
Gross profit		11,991,805,698	12,320,012,432
Other income	9	263,313,108	77,012,468
Distribution costs		(1,513,716,870)	(1,860,350,084)
Administrative expenses		(1,472,764,647)	(1,549,020,923)
Other operating expenses	10	(173,102,051)	(142,844,134)
Profit from operations		9,095,535,238	8,844,809,759
Finance income		503,223,726	347,798,642
Finance costs		(847,616,939)	(982,116,926)
Net finance costs	12	(344,393,213)	(634,318,284)
Share of profits less losses of associates	22	392,250,939	219,115,497
Share of profits less losses of jointly controlled entities	23	149,609,924	(9,379,634)
Profit before income tax		9,293,002,888	8,420,227,338
Income tax	13(a)	(2,862,995,349)	(3,780,358,185)
Profit for the year		6,430,007,539	4,639,869,153
Attributable to:			
Equity shareholders of the Company		5,329,737,727	4,033,170,028
Minority interests		1,100,269,812	606,699,125
Profit for the year		6,430,007,539	4,639,869,153
Basic and diluted earnings per share	15	0.48	0.37

The accompanying notes form part of these financial statements.

Consolidated statement of comprehensive income for the year ended 31 December 2009

(Expressed in Renminbi Yuan)

	Note	*2009*	*2008*
Profit for the year		6,430,007,539	4,639,869,153
Other comprehensive income for the year (after tax and reclassification adjustments)	14		
Exchange differences on translation of financial statements of foreign subsidiaries		(586,681)	129,508,819
Available-for-sale securities: net movement in the fair value reserve		62,957,529	(90,154,429)
		62,370,848	39,354,390
Total comprehensive income for the year		6,492,378,387	4,679,223,543
Attributable to:			
Equity shareholders of the Company		5,392,108,575	4,072,524,418
Minority interests		1,100,269,812	606,699,125
Total comprehensive income for the year		6,492,378,387	4,679,223,543

The accompanying notes form part of these financial statements.

Consolidated balance sheet at 31 December 2009

(Expressed in Renminbi Yuan)

	Note	*2009*	*2008*
ASSETS			
Non-current assets			
Property, plant and equipment	17	1,387,295,710	1,290,600,931
Lease prepayments	18	81,966,326	-
Investment properties	19	228,143,158	198,394,767
Construction in progress	20	593,208,234	188,587,023
Interest in associates	22	709,512,280	508,175,188
Interest in jointly controlled entities	23	2,763,877,398	1,888,809,160
Other financial assets	24	255,622,796	256,158,816
Deferred tax assets	25(a)	1,265,649,479	1,449,480,633
Total non-current assets		7,285,275,381	5,780,206,518
Current assets			
Inventories	26	59,998,046	48,111,356
Properties held for development	27	43,259,163,354	34,131,859,032
Properties under development	27	41,872,964,957	44,340,453,697
Completed properties for sale	27	5,311,972,269	7,890,962,140
Trade and other receivables	28	17,235,320,841	8,416,531,561
Financial derivatives		740,471	-
Cash and cash equivalents and pledged deposits	29	23,001,923,831	19,978,285,930
Total current assets		130,742,083,769	114,806,203,716
TOTAL ASSETS		138,027,359,150	120,586,410,234
EQUITY			
Share capital	30	10,995,210,218	10,995,210,218
Reserves	31	26,866,813,259	22,146,755,978
Awarded Shares purchased for the Employees’ Share Award Scheme	36	(486,135,416)	(1,250,040,934)
Total equity attributable to equity shareholders of the Company		37,375,888,061	31,891,925,262
Minority interests		8,032,624,393	6,926,624,219
TOTAL EQUITY		45,408,512,454	38,818,549,481

The accompanying notes form part of these financial statements.

Consolidated balance sheet at 31 December 2009 (continued)

(Expressed in Renminbi Yuan)

	Note	*2009*	*2008*
LIABILITIES			
Non-current liabilities			
Interest-bearing borrowings and bonds	32	23,296,534,102	14,942,136,092
Deferred tax liabilities	25(b)	1,221,268,786	1,380,487,627
Other long term liabilities	33	8,408,145	12,644,850
Provisions	35	34,355,815	41,729,468
Total non-current liabilities		24,560,566,848	16,376,998,037
Current liabilities			
Interest-bearing borrowings	32	8,628,670,478	17,866,342,910
Financial derivatives		-	1,694,880
Trade and other payables	34	55,244,411,867	43,979,207,733
Current taxation	13(c)	4,185,197,503	3,543,617,193
Total current liabilities		68,058,279,848	65,390,862,716
TOTAL LIABILITIES		92,618,846,696	81,767,860,753
TOTAL EQUITY AND LIABILITIES		138,027,359,150	120,586,410,234

Approved and authorised for issue by the board of directors on 26 February 2010.

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The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2009
(Expressed in Renminbi Yuan)

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

Consolidated statement of changes in equity (continued)
For the year ended 31 December 2008
(Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company											
	Note	*Share capital*	*Share premium*	*Foreign exchange reserve*	*Statutory reserves*	*Employee share-based compensation reserve*	*Revaluation reserve*	*Other reserves*	*Retained profits*	*Awarded shares purchased for the Employees' Share Award Scheme*	*Total*	*Minority interests*	*Total equity*
Balance at 1 January 2008		6,872,006,387	12,949,848,236	147,798,941	5,395,470,156	453,690,000	134,801,554	(241,332,344)	4,032,906,217	(466,541,546)	29,278,647,601	4,640,875,428	33,919,523,029
Changes in equity for 2008:													
Equity settled share-based transactions	31(c)	-	-	-	-	494,987,500	-	-	-	-	494,987,500	-	494,987,500
Adjustment for equity settled share-based transactions	31(c)	-	-	-	-	(259,987,500)	-	-	-	-	(259,987,500)	-	(259,987,500)
Distributions of the Awarded Shares	36	-	-	-	-	(215,463,933)	-	-	(8,082,797)	223,546,730	-	-	-
Purchased through the trust	36	-	-	-	-	-	-	-	-	(1,007,046,118)	(1,007,046,118)	-	(1,007,046,118)
Transfer of retained profits	31(b)	-	-	-	1,186,514,822	-	-	-	(1,186,514,822)	-	-	-	-
Capitalisation of share premium	31(a)	4,123,203,831	(4,123,203,831)	-	-	-	-	-	-	-	-	-	-
Capital injections from minority interests of subsidiaries		-	-	-	-	-	-	-	-	-	-	695,603,280	695,603,280
Dividend declared-2008	16	-	-	-	-	-	-	-	(687,200,639)	-	(687,200,639)	-	(687,200,639)
Dividends paid to minority interests		-	-	-	-	-	-	-	-	-	-	(204,651,502)	(204,651,502)
Minority interests arising from acquisitions of non-wholly owned subsidiaries		-	-	-	-	-	-	-	-	-	-	560,417,984	560,417,984
Acquisitions of minority interests		-	-	-	-	-	-	-	-	-	-	(122,028,497)	(122,028,497)
Increase in minority interests resulting from disposal of partial interest in a subsidiary		-	-	-	-	-	-	-	-	-	-	839,030,034	839,030,034
Decrease in minority interests resulting from liquidation of subsidiaries		-	-	-	-	-	-	-	-	-	-	(65,009,125)	(65,009,125)
Other movement in minority interests		-	-	-	-	-	-	-	-	-	-	(24,312,508)	(24,312,508)
Total comprehensive income for the year		-	-	129,508,819	-	-	(90,154,429)	-	4,033,170,028	-	4,072,524,418	606,699,125	4,679,223,543
Balance at 31 December 2008		10,995,210,218	8,826,644,405	277,307,760	6,581,984,978	473,226,067	44,647,125	(241,332,344)	6,184,277,987	(1,250,040,934)	31,891,925,262	6,926,624,219	38,818,549,481

The accompanying notes form part of these financial statements.

Consolidated cash flow statement for the year ended 31 December 2009

(Expressed in Renminbi Yuan)

	Note	*2009*	*2008*
Cash flows from operating activities			
Cash receipts from customers		57,595,333,546	42,783,256,973
Cash paid to suppliers		(34,560,212,562)	(30,218,067,735)
Cash paid to and for employees		(1,197,521,165)	(2,319,451,076)
Cash paid for other taxes		(3,466,498,213)	(3,233,320,498)
Cash generated from other operating activities		1,889,792,191	1,478,587,996
Cash used in other operating activities		(7,936,728,231)	(3,895,351,267)
Cash generated from operations		12,324,165,566	4,595,654,393
PRC Corporate Income Tax paid		(2,088,636,153)	(3,888,124,245)
Land Appreciation Tax paid		(982,178,093)	(741,681,978)
Net cash generated from / (used in) operating activities		9,253,351,320	(34,151,830)
Cash flows from investing activities			
Acquisitions of subsidiaries, net of cash acquired	6	(825,289,152)	(2,396,176,023)
Acquisitions of interest in associates, jointly controlled entities and other investments		(942,738,623)	(1,350,265,711)
Acquisitions of minority interests		(457,952,838)	(73,842,575)
Acquisitions of property, plant and equipment and construction in progress		(806,062,158)	(215,283,734)
Payment for acquisitions of subsidiaries in previous year		(2,150,653,776)	(217,036,600)
Prepayment for investments		(176,776,030)	(15,947,889)
Proceeds from disposals of subsidiaries	7	119,164,800	3,547,677
Proceeds from disposal of partial interest in a subsidiary		-	838,743,750
Proceeds from disposal of property, plant and equipment		142,450,545	5,687,794
Proceeds from sales of investments		210,421,894	201,580,207
Interest received		304,714,390	298,441,058
Dividends received		392,060,351	76,414,614
Net cash used in investing activities		(4,190,660,597)	(2,844,137,432)

The accompanying notes form part of these financial statements.

Consolidated cash flow statement (continued)
for the year ended 31 December 2009
(Expressed in Renminbi Yuan)

	2009	*2008*
Cash flows from financing activities		
Proceeds from issue of corporate bonds	-	5,759,981,650
Capital injections from minority interests of subsidiaries	829,084,667	472,936,459
Proceeds from loans and borrowings	20,731,516,741	14,325,980,946
Repayment of loans and borrowings	(21,640,510,970)	(11,690,595,100)
Dividend paid to equity shareholders	(549,760,511)	(687,200,639)
Dividend paid to minority shareholders of subsidiaries	(127,633,677)	(170,052,296)
Interest paid	(2,271,351,470)	(2,144,710,398)
Net cash (used in) / generated from financing activities	(3,028,655,220)	5,866,340,622
Net increase in cash and cash equivalents	2,034,035,503	2,988,051,360
Cash and cash equivalents at 1 January	19,978,285,930	17,046,504,584
Effect of foreign exchange rate changes	(9,546,495)	(56,270,014)
Cash and cash equivalents at 31 December	22,002,774,938	19,978,285,930

The accompanying notes form part of these financial statements.

Notes to the consolidated financial statements

(Expressed in Renminbi Yuan)

1 Reporting entity

China Vanke Co., Ltd (the "Company") is a company domiciled in the People's Republic of China (the "PRC"). The consolidated financial statements of the Company for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and jointly controlled entities. The Group is primarily involved in the development and sale of properties in the PRC (see note 8).

2 Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB").

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 4 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

The consolidated financial statements were approved and authorised for issue by the Company's board of directors on 26 February 2010.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- financial instruments at fair value through profit or loss are measured at fair value
- available-for-sale financial assets are measured at fair value

(c) Functional and presentation currency

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

2 Basis of preparation (continued)

(d) Use of estimates and judgements

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

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

- Notes 17, 18, 19 and 20 – depreciation and impairment of property, plant and equipment , lease prepayments , investment properties and construction in progress.
- Note 27 – write down of properties
- Note 28 – impairment of trade debtors and other receivables
- Note 43 – accounting estimates and judgements

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries and minority 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.

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries and minority interests (continued)

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with 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. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 3(r) and 3(t) depending on the nature of the liability.

(ii) 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 of that is classified as held for sale). Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of investees' net assets and any impairment loss relating to the investment (see note 3(h)(i)). 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.

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) 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 associate or the jointly controlled entity. 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.

(iii) Business combinations

When an acquisition is completed by a series of successive transactions, each significant transaction is considered individually for the purpose of the determination of the fair value of the identifiable assets, liabilities and contingent liabilities acquired and hence for the goodwill associated with the acquisition.

The fair values of the identifiable assets and liabilities acquired can vary at the date of each transaction. When a transaction results in taking over the control of the entity, the interests of the entity previously recorded in the Group's financial statements are revalued on the basis of the fair values of the identifiable assets and liabilities at the transaction date. Any revaluation surplus/deficits are recorded in equity.

When control already exists at the date of addition in interest in an entity, no fair value adjustment is made to the identifiable assets, liabilities and contingent liabilities of the entity. Any difference between the considerations and the carrying amount of interests previously recorded in the Group's financial statements is dealt with in equity.

Where the Group decreases its interest in a subsidiary without losing control, any gain or loss on the partial disposal is recognised in equity.

(iv) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate or a jointly controlled entity over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to cash-generating units and is tested annually for impairment (see note 3(h)). In respect of associates or jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or jointly controlled entity and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (see note 3(h)).

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iv) Goodwill (continued)

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate or a jointly entity is recognised immediately in profit or loss.

On disposal of a cash generating unit, an associate or a jointly controlled entity during the year, and attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

(ii) Foreign operations

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

Foreign currency differences are recognised in other comprehensive income and accumulated separately in equity in the foreign exchange reserve. When a foreign operation is disposed of, in part of in full, the relevant amount in the foreign exchange reserve is transferred to profit or loss as part of the profit or loss on disposal.

3 Significant accounting policies (continued)

(c) Financial instruments

(i) Non-derivative financial assets

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

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

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

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

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale. The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(h)) and foreign currency differences on available-for-sale equity instruments, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

(ii) Non-derivative financial liabilities

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

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

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Non-derivative financial liabilities (continued)

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

The Group has the following non-derivative financial liabilities: loans and borrowings, and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(iii) Derivative financial instruments

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

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

(iv) Share capital

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

(d) Property, plant and equipment

(i) Recognition and measurement

Hotel and other properties held for own use, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 3(n)). Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within “other income” in profit or loss.

3 Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(ii) Subsequent costs

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

(iii) Depreciation

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:

	Year	*Estimated residual value as a percentage of costs*
Hotel buildings	34	4%
Other buildings	12.5 - 25	4%
Improvements to premises	5 years or over terms of leases	-
Plant and machinery	5 - 10	4%
Furniture, fixtures and equipment	5 - 10	4%
Motor vehicles	5	4%

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(e) Investment properties

Investment properties are land and buildings which are owned or held under a leasehold interest (see note 3(g)) 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 in the consolidated balance sheet at cost less accumulated depreciation and impairment losses (see note 3(h)). The cost of self-constructed assets 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 3(n)).

Any gain or loss arising from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment property is accounted for as described in note 3(l)(iii).

Depreciation is calculated to write off the cost of items of investment properties, less their estimated residual value of 4% of costs, using straight line method over their estimated useful lives of 12.5 to 34 years.

3 Significant accounting policies (continued)

(f) Construction in progress

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

(g) 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. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

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 held for development, under development or completed and held for sale (see notes 3(j) and 3(k)).

(h) Impairment of assets

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

Investments in debt and 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 each balance sheet date 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;

3 Significant accounting policies (continued)

(h) Impairment of assets (continued)

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

- 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 recognised using the equity method, the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 3(h)(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 3(h)(ii).
- For unquoted securities that are 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 securities 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 financial assets carried at amortised cost 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.

  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 directly 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.

3 Significant accounting policies (continued)

(h) Impairment of assets (continued)

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

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable 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 against trade debtors and bills receivable 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 each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- investment properties;
- property, plant and equipment;
- construction in progress; and
- lease prepayments.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- 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 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).

3 Significant accounting policies (continued)

(h) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss whenever 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 first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other 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

  In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

  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.

(i) Inventories

Inventories are stated 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 inventories 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.

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

(j) Properties under development and properties held for development

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

3 Significant accounting policies (continued)

(k) Completed properties for sale

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

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

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

(l) Revenue recognition

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

(i) Sale of properties

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

(ii) Provision of services

Revenue from services is recognised when services are rendered.

(iii) 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.

(iv) Interest income

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

3 Significant accounting policies (continued)

(l) Revenue recognition (continued)

(v) Dividend income

- 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) Government grants

Government grants are recognised initially as deferred income 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 other sundry income 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 in arriving at 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.

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

(m) Lease prepayments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(n) Borrowing costs

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

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

3 Significant accounting policies (continued)

(o) Employee benefits

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

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

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

(ii) Share based payments

The Group has adopted an equity-settled Employees' share award scheme (the "Scheme") for its employees (see note 36) and the Group's policy for the Scheme is set out below.

The fair value of the shares granted to the employees (the "Awarded Shares") is recognised as an employee cost with a corresponding increase in employee share based compensation reserve within equity. The fair value is measured at grant date using the Monte-Carlo option pricing model, taking into account the terms and conditions upon which the Awarded Shares were granted. As the employees have to meet vesting conditions before becoming unconditionally entitle to the Awarded Shares, the total estimated fair value of the Awarded Shares is spread over the vesting period, taking into account the probability that the Awarded Shares will vest. As the duration of the vesting period depends on the market price of the Company's A shares, the estimation on the vesting period is reviewed at each balance sheet date. Any adjustment to the employee cost recognised in prior years is charged / credited to the profit or loss for the year of review with a corresponding adjustment to the compensation reserve.

The Group's contribution to the Scheme is stated at cost and is presented as a contra account, namely, Awarded Shares purchased for the Employees' share award scheme, within equity.

When the Awarded Shares are transferred to the awardees upon vesting, the related costs of the Awarded Shares vested are credited to Awarded shares purchased for the Employee's share award scheme with a corresponding adjustment to the employee share based compensation reserve.

When the Scheme expires, the related costs of the Awarded Shares disposed are credited to Awarded shares purchased for the Employee's share award scheme, and the disposal gains or losses are credited to Capital reserve arising from disposal of awarded shares.

(p) Income tax

Income tax for the year comprises current tax and movements in deferred assets and liabilities. Current tax and movement 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.

3 Significant accounting policies (continued)

(p) Income tax (continued)

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, 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 is 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 difference 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, 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 balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date 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.

3 Significant accounting policies (continued)

(p) Income tax (continued)

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 Company or the Group has the legally enforceable right to set off current tax assets against current liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or 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.

(q) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter at amortised cost less impairment losses for bad and doubtful debts (see note 3(h)), 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 impairment losses for bad and doubtful debts (see note 3(h)).

(r) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 3(u), 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.

(s) Cash and cash equivalents

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

3 Significant accounting policies (continued)

(t) Interest-bearing borrowings and bonds

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

(u) 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.

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 3(u)(iii) 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) Contingent liabilities acquired in business combinations

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 3(u)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 3(u)(iii).

(iii) 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.

3 Significant accounting policies (continued)

(u) Financial guarantees issued, provisions and contingent liabilities (continued)

(iii) Other provisions and contingent liabilities (continued)

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.

(v) Related parties

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

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group.

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

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

(w) Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3 Significant accounting policies (continued)

(x) Operating segments

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 the 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.

4 Changes in accounting policies

(i) Overview

Starting as of 1 January 2009, the Group has changed its accounting policies in the following areas:

- Determination and presentation of operating segments
- Presentation of financial statements

(ii) Determination and presentation of operating segments

As of 1 January 2009 the Group determines and presents operating segments based on the information that internally is provided to the President, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with IAS 14 *Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

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

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

4 Changes in accounting policies (continued)

(iii) Presentation of financial statements

The Group applies revised IAS 1 *Presentation of Financial Statements (2007)*, which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

5 Determination of fair values

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

(i) Trade and other receivables

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

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

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

(iii) Investments in debt and equity securities

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

6 Acquisitions of subsidiaries

(i) Acquisitions of subsidiaries by the Group during the year ended 31 December 2009:

(a) Pursuant to an equity transfer agreement dated 1 April 2009, the Group acquired a 100% equity interest in Charm Crystal Limited ("Charm Crystal") at a consideration of HKD 1,000. Charm Crystal is principally engaged in investment holding. The acquisition was completed on 1 April 2009.

(b) Pursuant to an equity transfer agreement dated 6 January 2008, the Group acquired a 90% equity interest in Wu Han Wangjiadun Morden City Real Estate Development Co., Ltd. ("Wangjiadun") at a consideration of RMB 368 million. Wangjiadun is principally engaged in holding properties held for development and properties under development. The acquisition was completed on 31 May 2009 (note).

(c) Pursuant to an equity transfer agreement dated 28 July 2009, the Company acquired a 100% equity interest in Leadway Capital Limited Limited ("Leadway") at a consideration of HKD 1,000. Leadway holds a 45% equity interest in Wuhan Wanwei Consultancy Company Limited. The acquisition was completed on 28 July 2009.

(d) Pursuant to an equity transfer agreement dated 24 August 2009, the Group acquired a 100% equity interest in Trendell Limited ("Trendell") at a consideration of RMB 140 million. Trendell is principally engaged in investment holding. The acquisition was completed on 24 August 2009. After the acquisition, the Company holds a 80% equity interest in Dongguan Vanke Property Management Company Limited.

(e) Pursuant to an equity transfer agreement dated 3 September 2009, the Group acquired a 80% equity interest in Chengdu Tongtai Property Development Company Limited ("Tongtai") at a consideration of RMB 1.52 million. Tongtai is principally engaged in holding properties held for development and properties under development. The acquisition was completed on 3 September 2009 (note).

(f) Pursuant to an equity transfer agreement dated 4 September 2009, the Group acquired a 100% equity interest in Hangzhou Yuanhao Investment Management Company Limited ("Yuanhao") at a consideration of RMB 1.2 million. Yuanhao is principally engaged in investment holding. The acquisition was completed on 4 September 2009.

(g) Pursuant to an equity transfer agreement dated 4 September 2009, the Group acquired a 100% equity interest in Hangzhou Hangchen Investment Management Company Limited ("Hangchen") at a consideration of RMB 1.2 million. Hangchen is principally engaged in investment holding. The acquisition was completed on 4 September 2009.

(h) Pursuant to an equity transfer agreement dated 11 September 2009, the Group acquired a 100% equity interest in Ample Avenue Investments Limited ("Ample") at a consideration of RMB 103 million. Ample holds a 45% equity interest in Tianjin Vanke Xinlicheng Company Limited. The acquisition was completed on 11 September 2009.

6 Acquisitions of subsidiaries (continued)

(i) Acquisitions of subsidiaries by the Group during the year ended 31 December 2009: （Continued）

(i) Pursuant to an equity transfer agreement dated 25 September 2009, the Group acquired a 100% equity interest in Pro Ocean Limited ("Pro Ocean") at a consideration of RMB 881.1. Pro Ocean is principally engaged in investment holding. The acquisition was completed on 25 September 2009.

(j) Pursuant to an equity transfer agreement dated 25 September 2009, the Company acquired a 100% equity interest in Double Falcon Limited ("Double Falcon") at a consideration of HKD 1,000. Double Falcon is principally engaged in investment holding. The acquisition was completed on 25 September 2009.

(k) Pursuant to an equity transfer agreement dated 25 September 2009, the Company acquired a 100% equity interest in Glorious Pacific Limited ("Glorious Pacific") at a consideration of HKD 1,000. Glorious Pacific is principally engaged in investment holding. The acquisition was completed on 25 September 2009.

(l) Pursuant to an equity transfer agreement dated 25 September 2009, the Company acquired a 100% equity interest in Likeford Limited ("Likeford") at a consideration of HKD 1,000. Likeford is principally engaged in investment holding. The acquisition was completed on 25 September 2009.

(m) Pursuant to an equity transfer agreement dated 29 September 2009, the Group acquired a 70% equity interest in Hunan Vanke Heshun Property Company Limited ("Heshun") at a consideration of RMB 36 million. Heshun is principally engaged in holding properties held for development and properties under development. The acquisition was completed on 14 October 2009 (note).

(n) Pursuant to an equity transfer agreement dated 30 September 2009, the Group acquired a 90% equity interest in Shenzhen Construction Holding of Longgang Property Co., Ltd. ("Longgang") at a consideration of RMB 99 million. Longgang is principally engaged in holding properties held for development and properties under development. The acquisition was completed on 30 October 2009 (note).

(o) Pursuant to an equity transfer agreement dated 2 November 2009, the Group acquired a 100% equity interest in Guangzhou Yinye Junrui Real Estate Co., Ltd ("Yinye Junrui") at a consideration of RMB 55 million. Yinye Junrui is principally engaged in holding properties held for development and properties under development. The acquisition was completed on 2 November 2009 (note).

(p) Pursuant to an equity transfer agreement dated 10 November 2009, the Group acquired a 100% equity interest in Star Top Development Limited ("Star Top") at a consideration of RMB 0.88. Star Top is principally engaged in investment holding. The acquisition was completed on 10 November 2009.

6 Acquisitions of subsidiaries (continued)

(i) Acquisitions of subsidiaries by the Group during the year ended 31 December 2009: （Continued）

(q) Pursuant to an equity transfer agreement dated 10 November 2009, the Group acquired a 100% equity interest in Well Keen Limited (“Well Keen”) at a consideration of RMB 0.88. Well Keen is principally engaged in investment holding. The acquisition was completed on 10 November 2009.

(r) Pursuant to an equity transfer agreement dated 10 November 2009, the Group acquired a 100% equity interest in Bloom Gain Limited (“Bloom”) at a consideration of RMB 0.88. Bloom is principally engaged in investment holding. The acquisition was completed on 10 November 2009.

(s) Pursuant to an equity transfer agreement dated 10 November 2009, the Group acquired a 100% equity interest in Hopewin Investments Limited (“Hopewin”) at a consideration of RMB 0.88. Hopewin is principally engaged in investment holding. The acquisition was completed on 10 November 2009.

(t) Pursuant to an equity transfer agreement dated 10 November 2009, the Company acquired a 100% equity interest in Best Cheer Investments Limited (“Best Cheer”) at a consideration of RMB 0.88 . Best cheer is principally engaged in investment holding. The acquisition was completed on 10 November 2009.

(u) Pursuant to an equity transfer agreement dated 19 November 2009, the Group acquired a 95% equity interest in Guangzhou Linhai Real Estate Co.,Ltd. (“Linhai”) at a consideration of RMB 45 million. Linhai is principally engaged in holding certain properties held for development and properties under development. The acquisition was completed on 19 November 2009 (note).

(v) Pursuant to an equity transfer agreement dated 25 November 2009, the Group acquired a 12.39% equity interest in Dongguan Xintong Industry and Investment Company Limited (“Xintong”) at a consideration of RMB 1.2 million. Xintong is principally engaged in holding properties held for development and properties under development. The acquisition was completed on 25 November 2009. After the acquisition, the Company holds a 51% equity interest in Xintong (note).

(w) Pursuant to an equity transfer agreement dated 15 December 2009, the Group acquired a 95% equity interest in Qingyuan Hongmei Investment Company Limited (“Hongmei”) at a consideration of RMB 266 million. Hongmei is principally engaged in holding properties held for development and properties under development. The acquisition was completed on 15 December 2009 (note).

(x) Pursuant to an equity transfer agreement dated 17 December 2009, the Group acquired a 95% equity interest in Chengdu Jinlan Property Company Limited (“Jinlan”) at a consideration of RMB 9.5 million. Jinlan is principally engaged in holding properties held for development and properties under development. The acquisition was completed on 17 December 2009 (note).

6 Acquisitions of subsidiaries (continued)

(i) Acquisitions of subsidiaries by the Group during the year ended 31 December 2009: （Continued）

(y) Pursuant to an equity transfer agreement dated 31 December 2009, the Group acquired a 65% equity interest in Shanghai Pangzhi Investment Management Company Limited (“Pangzhi”) at a consideration of RMB 568 million. Pangzhi is principally engaged in holding properties held for development and properties under development. The acquisition was completed on 31 December 2009 (note).

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

The acquisitions had the following effect on the Group’s cashflow on acquisition dates:

Considerations, satisfied in cash	1,696,235,078
Cash acquired	(380,511,555)
Considerations prepaid in prior years	(388,436,843)
Considerations to be paid subsequent to 2009	(101,997,528)
Net cash outflow in 2009	825,289,152

All subsidiaries set out above were acquired from third parties.

6 Acquisitions of subsidiaries (continued)

(ii) Acquisitions of subsidiaries by the Group during the year ended 31 December 2008:

(a) Pursuant to an agreement dated 26 September 2007, the Group acquired certain properties held for development by acquiring Shanghai Dijie Property Co. Ltd, which was located in Shanghai. The acquisition was completed on 26 February 2008 (note).

(b) Pursuant to an equity transfer agreement dated 17 April 2007, the Group acquired a 60% equity interest in Qingdao Dashan Real Estate Development Company Limited ("Qingdao Dashan"). Qingdao Dashan is principally engaged in holding properties held for development. The acquisition was completed on 30 April 2008 (note).

(c) Pursuant to an equity transfer agreement dated 21 November 2007, the Group acquired the entire equity interest in Shanghai Xiangda Real Estate Development Company Limited ("Shanghai Xiangda"). Shanghai Xiangda is principally engaged in holding properties held for development and properties under development. The acquisition was completed on 5 January 2008 (note). Subsequently, the Group transferred 25% equity interests of Shanghai Xiangda to an external investor.

(d) Pursuant to an equity transfer agreement dated 4 January 2008, the Group acquired the entire equity interest in Guangdong Shangcheng Construction Company Limited ("Guangdong Shangcheng"). Guangdong Shangcheng is principally engaged in engineering design and construction in Guangdong. The acquisition was completed on 11 February 2008.

(e) Pursuant to an equity transfer agreement dated 18 January 2008, the Group acquired the entire equity interest in Wuhan Guohao Property Company Limited ("Wuhan Guohao"). Wuhan Guohao is principally engaged in holding properties held for development. The acquisition was completed on 27 February 2008. (note).

(f) Pursuant to an equity transfer agreement dated 20 January 2008, the Group acquired a 55% equity interest in Qingdao Hao Ren Property Company Limited ("Qingdao Hao Ren"). Qingdao Hao Ren is principally engaged in holding properties held for development. The acquisition was completed on 2 April 2008 (note).

(g) Pursuant to an equity transfer agreement dated 1 February 2008, the Group acquired a 75% equity interest in Ningbo Jinsheng Property Company Limited ("Ningbo Jinsheng"). Ningbo Jinsheng is principally engaged in holding properties held for development. The acquisition was completed on 1 February 2008 (note).

(h) Pursuant to an equity transfer agreement dated 2 March 2008, the Group acquired the entire equity interest in Tianjin Binhai Fashion Property Company Limited ("Tianjin Binhai"). Tianjin Binhai is principally engaged in holding properties held for development. The acquisition was completed on 21 March 2008 (note).

(i) Pursuant to an equity transfer agreement dated 31 March 2008, the Group acquired a 51% equity interest in Suzhou Huihua Investment and Property Company Limited ("Suzhou Huihua"). Suzhou Huihua is principally engaged in holding properties held for development and properties under development. The acquisition was completed on 30 June 2008 (note).

6 Acquisitions of subsidiaries (continued)

(ii) Acquisitions of subsidiaries by the Group during the year ended 31 December 2008 (continued):

(j) Pursuant to an equity transfer agreement dated 6 May 2008, the Group acquired a 78.4% equity interest in Shenzhen Yili Real Estate Development Company Limited ("Shenzhen Yili"). Shenzhen Yili is principally engaged in holding certain completed properties for sale. The acquisition was completed on 26 May 2008 (note).

(k) Pursuant to an equity transfer agreement dated 28 May 2008, the Group acquired a 55% equity interest in Shanghai Jingyuan Property Company Limited ("Shanghai Jingyuan"). Shanghai Jingyuan is principally engaged in holding certain properties held for development and properties under development. The acquisition was completed on 31 July 2008 (note).

(l) Pursuant to an equity transfer agreement dated 30 June 2008, the Group acquired a 70% equity interest in Shenyang Vanke Jinyu Blue Property Development Company Limited ("Jinyu Blue"). Jinyu Blue is principally engaged in holding certain properties held for development. The acquisition was completed on 1 July 2008 (note). After the acquisition, the Company holds the entire equity interest of Jinyu Blue.

(m) Pursuant to an equity transfer agreement dated 30 June 2008 and 2 July 2008, the Group acquired 45.5% and a further 24.5% equity interests in Shenyang Vanke Hunnan Jinyu Propoerty Development Company Limited ("Hunnan Jinyu") respectively. Hunnan Jinyu is principally engaged in holding certain properties held for development (note). After the acquisition, the Company holds the entire equity interest of Hunhan Jinyu.

(n) Pursuant to an equity transfer agreement dated 8 July 2008, the Group acquired a 90% equity interest in Chengdu Vanke Huadong Real Estate Company Limited ("Huadong Real Estate"). Huadong Real Estate is principally engaged holding certain properties held for development and properties under development. The acquisition was completed on 8 July 2008 (note).

(o) Pursuant to an equity transfer agreement dated 21 July 2008, the Group acquired a 51% equity interest in Shanxi Hualian Property Development Compnay Limited ("Shanxi Hualian"). Shanxi Hualian is principally engaged in holding certain properties held for development. The acquisition was completed on 22 December 2008 (note).

(p) Pursuant to an equity transfer agreement dated 24 August 2008, the Group purchased a 80% equity interest in Changsha Sihai Property Company Limited ("Changsha Sihai"). Changsha Sihai is principally engaged in holding certain properties held for development. The acquisition was completed on 8 September 2008 (note).

(q) Pursuant to an equity transfer agreement dated 10 September 2008, the Group acquired the entire equity interest in Changsha Nandu Property Management Co.,Ltd.("Changsha Nandu"). Changsha Nandu is principally engaged in property management in Changsha. The acquisition was completed on 17 Octorber 2008.

6 Acquisitions of subsidiaries (continued)

(ii) Acquisitions of subsidiaries by the Group during the year ended 31 December 2008 (continued):

(r) Pursuant to an equity transfer agreement dated 11 September 2008, the Group acquired a 51% equity interest in Chongqing Yu Development Coral Property Company Limited ("Coral Property"). Coral Property is principally engaged in holding certain properties held for development. The acquisition was completed on 28 September 2008.

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

The acquisitions had the following effect on the Group's cashflow on acquisition date:

Considerations, satisfied in cash	4,782,729,812
Cash acquired	(235,900,013)
Considerations to be paid subsequent to 2008	(2,150,653,776)
Net cash outflow	2,396,176,023

All subsidiaries set out above were acquired from third parties.

7 Disposal of subsidiaries

(i) Disposal of subsidiaries by the Group during the year ended 31 December 2009:

(a) On 31 July 2009, the Group disposed of 90% equity interest in Nanjing Hengbang Property Co., Ltd., which was previously 90% owned by the Group, to an independent party, at a consideration of RMB10 million.

(b) On 23 July 2009, the Group disposed of equity interest in Shenzhen Hengfeng Property Co., Ltd. to an independent party, at a consideration of RMB27 million.

(c) On 20 August 2009, the Group disposed of 65% equity interest in Ningbo Jinsheng Property Co., Ltd., which was previously 75% owned by the Group, to an independent party, at a consideration of RMB13 million. The Group is subject to receive an additional consideration depending on the future performance of Ningbo Jinsheng Property Co., Ltd..

(d) On 31 October 2009, the Group disposed of 90% equity interest in Hangzhou Qianjiangwan Garden Property Co., Ltd., which was previously 90% owned by the Group, to an independent party, at a consideration of RMB27 million.

(e) On 30 November 2009, the Group disposed 100% equity interest in Shanghai Caohua Property Co., Ltd., which was previously wholly owned by the Group, to an independent party, at a consideration of RMB102 million.

7 Disposal of subsidiaries (continued)

(i) Disposal of subsidiaries by the Group during the year ended 31 December 2009: (continued)

Effect of the disposal on individual assets and liabilities of the Group for the year ended 31 December 2009

Cash and cash equivalents	11,196,676
Trade and other receivables	1,196,325,721
Properties held for development, properties under development and completed properties for sales	438,222,856
Property, plant and equipment	23,205,206
Trade and other payables	(1,611,353,762)
Minority interests	(29,024,437)
Net assets and liabilities disposed of by the Group	28,572,260
Gain on disposal of a subsidiary	150,738,396
Considerations to be paid subsequent to 2009	(48,949,180)
Considerations received, satisfied in cash	130,361,476
Cash disposed of	(11,196,676)
Net cash inflow	119,164,800

(ii) Disposals of a subsidiary by the Group during the year ended 31 December 2008:

On 30 May 2008, the Group disposed of 50% equity interest in Dongguan Vanke Property Co., Ltd. ("Dongguan Vanke"), which was previously wholly owned by the Group, to an independent party, at a consideration of RMB5 million. Subsequent to the transfer, Dongguan Vanke became a jointly controlled entity of the Group.

8 Operating segments

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

- Property development (Beijing Region / Shenzhen Region / Shanghai Region / Chengdu Region): given the importance of the property development division to the Group, the Group's property development business is segregated further into four reportable segments on a geographical basis, as the divisional managers for each of these regions report directly to the senior executive team. All four segments 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 also carried out in mainland China. Details about the specific cities covered by each region are set out in note 8(b).

- Property management services: this segment provides house keeping services to the property development segment, as well as the external property developers. Currently the Group's activities in this regard are also carried out in mainland China.

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 financial statements.

8 Operating segments (continued)

(a) Segment results, assets and liabilities

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

(i) Segment assets and liabilities

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

(ii) Segment revenue and expenses

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

(iii) Segment profit

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

(iv) Inter-segment transactions

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

8 Operating segments (continued)

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

	Real Estate Development					
	Beijing Region (note(1))	*Shenzhen Region (note(2))*	*Shanghai Region (note(3))*	*Chengdu Region (note(4))*	*Property Management*	*Total*
For the year ended 31 December 2009						
Revenue from external revenue, before sales taxes	12,061,318,325	16,456,704,832	15,168,178,905	4,736,657,399	446,870,162	48,869,729,623
Inter-segment revenue	-	-	-	-	450,762,770	450,762,770
Reportable segment revenue, before sales taxes	12,061,318,325	16,456,704,832	15,168,178,905	4,736,657,399	897,632,932	49,320,492,393
Reportable segment profit	1,808,198,638	2,408,254,876	3,197,239,875	936,581,046	142,240,124	8,492,514,559
Interest income	422,666,543	411,732,177	448,479,219	140,186,471	2,082,041	1,425,146,451
Interest expense	430,123,175	498,250,687	578,270,216	199,496,482	1,134,448	1,707,275,008
Share of profits less losses of associates and jointly controlled entities (note (5))	123,247,053	6,454,819	351,762,901	799,140	-	482,263,913
Reportable segment assets (including investment in joint ventures)	24,359,649,868	33,198,931,234	37,134,037,436	12,138,735,205	936,713,213	107,768,066,956
Reportable segment liabilities	17,289,333,777	24,557,753,557	30,312,262,600	10,281,755,747	691,455,231	83,132,560,912

8 Operating segments (continued)

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

	Real Estate Development					
	Beijing Region (note(1))	*Shenzhen Region (note(2))*	*Shanghai Region (note(3))*	*Chengdu Region (note(4))*	*Property Management*	*Total*
For the year ended 31 December 2008						
Revenue from external revenue, before sales taxes	9,692,502,325	15,231,625,842	12,901,092,410	2,784,759,005	374,225,480	40,984,205,062
Inter-segment revenue	-	-	-	-	547,288,273	547,288,273
Reportable segment revenue, before sales taxes	9,692,502,325	15,231,625,842	12,901,092,410	2,784,759,005	921,513,753	41,531,493,335
Reportable segment profit	1,881,149,030	3,205,441,778	1,864,675,663	54,198,942	95,882,616	7,101,348,029
Interest income	379,347,628	922,035,719	695,171,564	101,029,355	1,996,827	2,099,581,093
Interest expense	447,575,079	922,964,821	929,584,674	161,810,038	762,147	2,462,696,759
Share of profits less losses of associates and jointly controlled entities (note (5))	29,754,431	48,104,944	82,360,652	8,015,220	-	168,235,247
Reportable segment assets (including investment in joint ventures)	23,659,539,807	41,262,343,315	43,706,481,056	10,891,797,778	692,201,002	120,212,362,958
Reportable segment liabilities	18,330,736,267	32,407,940,277	38,349,911,408	9,050,098,654	499,216,809	98,637,903,415

8 Operating segments (continued)

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

	2009	*2008*
Revenue		
Reportable segment revenue	49,320,492,393	41,531,493,335
Unallocated head office and corporate revenue	11,283,521	7,574,152
Sales taxes	(2,833,119,894)	(2,372,565,137)
Elimination of inter-segment revenue	(450,762,770)	(547,288,273)
Consolidated turnover	46,047,893,250	38,619,214,077
Profit		
Reportable segment profit	8,492,514,559	7,101,348,029
Elimination of inter-segment profit	(390,445,091)	(614,661,367)
Share of profits less losses of associates and jointly controlled entities	541,860,863	209,735,863
Other income	263,313,108	77,012,468
Other operating expenses, excluding provision for doubtful debts	(144,826,118)	(105,291,939)
Dividend income	198,509,336	4,713,306
Unallocated head office and corporate expenses	(343,498,849)	(350,570,734)
Land appreciation tax	675,575,080	2,097,941,712
Consolidated profit before taxation	9,293,002,888	8,420,227,338
Assets		
Reportable segment assets	107,768,066,956	120,212,362,958
Elimination of inter-segment receivables	(44,631,419,049)	(71,823,332,882)
Deferred tax assets	1,265,649,479	1,449,480,633
Unallocated head office and corporate assets	73,625,061,764	70,747,899,525
Consolidated total assets	138,027,359,150	120,586,410,234
Liabilities		
Reportable segment liabilities	83,132,560,912	98,637,903,415
Elimination of inter-segment payables	(39,100,106,359)	(65,531,552,831)
Deferred tax liabilities	1,221,268,786	1,380,487,627
Unallocated head office and corporate liabilities	47,365,123,357	47,281,022,542
Consolidated total liabilities	92,618,846,696	81,767,860,753

8 Operating segments (continued)

Notes:

(1) Beijing region represents Beijing, Tianjin, Shenyang, Anshan, Dalian, Qingdao, and Changchun.

(2) Shenzhen region represents Shenzhen, Guangzhou, Dongguan, Foshan, Zhuhai, Zhongshan, Changsha, Xiamen, Fuzhou, Huizhou, and Hainan.

(3) Shanghai region represents Shanghai, Hangzhou, Suzhou, Wuxi, Ningbo, Nanjing, Zhenjiang, Nanchang and Hefei.

(4) Chengdu Region represents Chengdu, Wuhan, Xi'an, and Chongqing.

(5) Share of profits less losses of associates and jointly controlled entities that is attributable to head office and not allocated to the respective segments is RMB 59,596,950 (2008: RMB 41,500,616).

9 Other income

	2009	*2008*
Forfeited deposits and compensation from customers	19,150,446	19,639,564
Gain on disposals of subsidiaries	150,738,396	295,087
Gain on disposals of interest in associates	19,176,868	-
Gain on disposals of other investment	20,283,706	601,533
Gain on disposals of property, plant and equipment	7,883,854	8,936,739
Unrealised gain on financial derivatives	2,435,351	19,262,232
Compensation income from insurance	-	2,797,899
Other sundry income	43,644,487	25,479,414
	263,313,108	77,012,468

10 Other operating expenses

	2009	*2008*
Provision for doubtful debts	28,275,933	37,552,195
Compensation to customers	30,544,937	19,670,383
Donations	47,819,939	53,597,709
Loss on disposals of property, plant and equipment	1,577,638	2,336,423
Realised and unrealised loss on financial derivatives	6,492,341	5,332,863
Penalties	10,635,324	7,452,967
Other sundry expenses	47,755,939	16,901,594
	173,102,051	142,844,134

11 Personnel expenses

	2009	*2008*
Wages, salaries and other staff costs	1,366,033,170	790,513,017
Contributions to defined contribution plans	120,229,614	110,499,460
Equity-settled share-based compensation	-	235,000,000
	1,486,262,784	1,136,012,477

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at the rates ranged from 10% to 22% (2008: from 10% to 22%) of the salaries, bonuses and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

12 Finance income and finance costs

	2009	*2008*
Interest income	304,714,390	300,476,020
Dividend income	198,509,336	4,713,306
Net foreign exchange gain	-	42,609,316
Finance income	503,223,726	347,798,642
Interest expense and other borrowing costs	2,174,111,158	2,459,226,301
Less: Interest capitalised	(1,329,102,436)	(1,477,109,375)
Finance costs	845,008,722	982,116,926
Foreign exchange loss	2,608,217	-
Net finance costs	(344,393,213)	(634,318,284)

Interest expense and other borrowing costs have been capitalised at an average rate of 6.7% (2008: 7.0%) per annum.

13 Taxation

(a) Taxation in the consolidated income statement represents:

	2009	*2008*
Current tax		
PRC Corporate Income Tax		
- Provision for the year	2,086,679,824	2,631,939,752
Land Appreciation Tax	769,460,459	2,161,307,853
	2,856,140,283	4,793,247,605
Deferred tax		
Fair value adjustments arising from business combinations		
- PRC Corporate Income Tax	(83,090,710)	(104,100,065)
- Land Appreciation Tax	(93,885,379)	(63,366,141)
Accrual for Land Appreciation Tax	209,408,887	(336,686,228)
Tax losses	(147,899,296)	(57,960,111)
Provision for diminution in value of properties	153,322,143	(305,849,580)
Accruals for construction costs	30,038,912	(134,365,188)
Other temporary differences	(61,039,491)	(10,562,107)
	6,855,066	(1,012,889,420)
	2,862,995,349	3,780,358,185

The provision for PRC Corporate Income Tax is calculated based on the estimated taxable income at the rates applicable to each company in the Group. The income tax rates applicable to the principal subsidiaries in the PRC range between 20% and 25% (2008: between 18% and 25%).

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

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

13 Taxation (continued)

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

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

	2009	*2008*
Profit before income tax	9,293,002,888	8,420,227,338
Less: Land Appreciation Tax	(675,575,080)	(2,097,941,712)
	8,617,427,808	6,322,285,626
Notional tax on profit before taxation calculated at effective income tax rate of the relevant group subsidiaries concerned	2,091,230,130	1,518,200,485
Non-taxable income	(141,411,577)	(33,570,053)
Non-deductible expenses	180,626,272	90,026,225
Effect of tax losses not recognised	80,843,778	112,880,745
Recognition of previously unrecognised tax losses	(16,101,473)	(2,269,994)
Effect of temporary difference not recognised	-	947,005
Effect of change in tax rates on deferred tax in respect of current year temporary differences	(7,766,861)	(3,797,940)
PRC Corporate Income Tax	2,187,420,269	1,682,416,473
Land Appreciation Tax	675,575,080	2,097,941,712
Actual total tax expense	2,862,995,349	3,780,358,185

(b) Taxation recognised directly in equity

	2009	*2008*
Arising from fair value adjustments on available-for-sale securities (note 25(c))	17,757,247	(19,106,620)
Others	-	(53,006)
	17,757,247	(19,159,626)

13 Taxation (continued)

(c) Current taxation in the consolidated balance sheet represents:

	2009	*2008*
Corporate Income Tax	720,023,458	103,616,161
Land Appreciation Tax	3,465,174,045	3,440,001,032
	4,185,197,503	3,543,617,193

Land Appreciation Tax provisions have been made pursuant to Guo Shui Fa (2006) No 187 Circular of State Administration of Taxation on Relevant Issues of Settlement and Management of Land Appreciation Tax for Real Estate Developers. The management considers the timing of settlement is dependent on the practice of local tax bureaus. As a result of the uncertainty of timing of payment of Land Appreciation Tax, the provisions have been recorded as current liabilities as at 31 December 2009 and 2008.

14 Other comprehensive income

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

	2009			*2008*		
	Before-tax amount	*Tax expense*	*Net-of-tax amount*	*Before-tax amount*	*Tax benefit*	*Net-of-tax amount*
Exchange differences on translation of financial statements of overseas subsidiaries	(586,681)	-	(586,681)	129,508,819	-	129,508,819
Available-for-sale securities: net movement in fair value reserve	80,714,776	(17,757,247)	62,957,529	(109,102,025)	19,106,620	(89,995,405)
Others	-	-	-	(212,030)	53,006	(159,024)
Other comprehensive Income	80,128,095	(17,757,247)	62,370,848	20,194,764	19,159,626	39,354,390

14 Other comprehensive income (continued)

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

	2009 RMB'000	*2008* RMB'000
Available-for sale securities:		
Changes in fair value recognised during the year	69,897,086	(88,848,992)
Reclassification adjustments for amounts transferred to profit or loss:		
- gains on disposal	(6,939,557)	(1,305,437)
Net movement in the fair value reserve during the year recognised in other comprehensive income	62,957,529	(90,154,429)

15 Basic and diluted earnings per share

The calculation of basic and diluted earnings per share is based on the net profit for the year attributable to equity shareholders of the Company of 5,329,737,727 (2008: 4,033,170,028) and on the weighted average number of ordinary shares outstanding during the year of 10,995,210,218 (2008 restated: 10,995,210,218) shares.

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

16 Dividends

A cash dividend of RMB0.05 per share, resulting in a dividend payment of RMB549,760,511 in respect of the year ended 31 December 2008 was declared and paid during the year ended 31 December 2009.

A cash dividend of RMB0.1 per share, resulting in a dividend payment of RMB687,200,639 in respect of the year ended 31 December 2007 was declared and paid during the year ended 31 December 2008.

A cash dividend of RMB0.07 per share, resulting in a dividend payment of RMB769,664,715 in respect of the year ended 31 December 2009 are to be proposed at the Company's forthcoming annual general meeting. The dividend has not been recognised as a liability at the balance sheet date.

17 Property, plant and equipment

	Hotel and other buildings held for own use	*Improvements to premises*	*Plant and machinery*	*Furniture, fixtures and equipment*	*Motor vehicles*	*Total*
Cost:						
At 1 January 2008	571,015,951	52,060,424	25,250,395	146,038,119	96,310,218	890,675,107
Additions:						
- via acquisitions of subsidiaries	2,854,256	-	-	3,606,227	1,066,429	7,526,912
- transfer from completed properties for sale	483,677,655	-	-	-	-	483,677,655
- others	237,404,662	37,196,242	1,686,605	40,932,376	13,341,598	330,561,483
Disposals	(20,683,753)	(13,115,878)	(710,164)	(10,096,065)	(20,568,167)	(65,174,027)
At 31 December 2008	1,274,268,771	76,140,788	26,226,836	180,480,657	90,150,078	1,647,267,130
At 1 January 2009	1,274,268,771	76,140,788	26,226,836	180,480,657	90,150,078	1,647,267,130
Additions:						
- via acquisitions of subsidiaries	-	-	-	1,829,457	-	1,829,457
- others	286,578,946	8,874,508	262,924	15,328,150	7,879,982	318,924,510
Disposals	(157,500,457)	(14,958,775)	(284,494)	(9,929,704)	(9,908,872)	(192,582,302)
At 31 December 2009	1,403,347,260	70,056,521	26,205,266	187,708,560	88,121,188	1,775,438,795

17 Property, plant and equipment (continued)

	Hotel and other buildings held for own use	*Improvements to premises*	*Plant and machinery*	*Furniture, fixtures and equipment*	*Motor vehicles*	*Total*
Accumulated depreciation and impairment loss:						
At 1 January 2008	123,530,957	33,414,027	8,672,051	79,512,155	63,468,711	308,597,901
Additions:						
- via acquisitions of subsidiaries	896,542	-	-	1,505,882	304,265	2,706,689
Charge for the year	33,241,383	6,048,379	1,260,969	25,235,806	11,135,083	76,921,620
Written back on disposals	(7,039,351)	(811,464)	(234,146)	(6,795,685)	(16,679,365)	(31,560,011)
At 31 December 2008	150,629,531	38,650,942	9,698,874	99,458,158	58,228,694	356,666,199
At 1 January 2009	150,629,531	38,650,942	9,698,874	99,458,158	58,228,694	356,666,199
Additions:						
- via acquisitions of subsidiaries	-	-	-	630,938	-	630,938
Charge for the year	43,582,084	5,720,427	1,368,366	26,715,773	9,897,271	87,283,921
Written back on disposals	(28,034,425)	(13,159,161)	(218,800)	(7,231,490)	(7,794,097)	(56,437,973)
At 31 December 2009	166,177,190	31,212,208	10,848,440	119,573,379	60,331,868	388,143,085
Net book value:						
At 31 December 2009	1,237,170,070	38,844,313	15,356,826	68,135,181	27,789,320	1,387,295,710
At 31 December 2008	1,123,639,240	37,489,846	16,527,962	81,022,499	31,921,384	1,290,600,931

18 Lease prepayments

	2009
Additions	82,516,436
Amortisation for the year	(550,110)
	81,966,326

Leasehold land of the Group is held in the PRC. At 31 December 2009, the remaining lease term of the land is 50 years.

19 Investment properties

	2009	*2008*
Cost:		
At 1 January	225,849,490	290,242,224
Transfer from completed properties for sale	117,043,338	74,164,374
Disposals	(86,251,508)	(138,557,108)
At 31 December	256,641,320	225,849,490
Accumulated depreciation and impairment loss:		
At 1 January	27,454,723	13,151,649
Charge for the year	7,738,355	14,540,704
Written back on disposals	(6,694,916)	(237,630)
At 31 December	28,498,162	27,454,723
Net book value:		
At 31 December	228,143,158	198,394,767

Investment properties comprise certain commercial properties that are leased to external 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 RMB258,970,079 (2008: RMB316,581,608).

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:

	2009	*2008*
Within 1 year	11,881,321	10,317,612
After 1 year but within 5 years	45,034,409	32,692,959
After 5 years	97,352,090	75,950,458
	154,267,820	118,961,029

20 Construction in progress

	2009	*2008*
At 1 January	188,587,023	271,270,240
Additions	622,987,458	89,427,277
Transferred out to property, plant and equipment	(218,366,247)	(109,211,201)
Transferred out to properties under development	-	(62,899,293)
	593,208,234	188,587,023

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

21 Principal subsidiaries

Name of company	*Place of establishment and operation*	*Paid in capital*	*Percentage of interest held by the Group*	*held by the Company*	*held by a subsidiary*	*Principal activities*
Anshan Vanke Property Development Co., Ltd.	Anshan	USD5,172,700	100%	-	100%	Property development
Beijing Chaoyang Vanke Property Development Company Limited	Beijing	RMB200,000,000	60%	60%	-	Property development
Beijing Vanke Enterprises Shareholding Company Limited	Beijing	RMB1,000,000,000	100%	90%	10%	Property development
Beijing Vanke Property Management Company Limited	Beijing	RMB22,000,000	100%	-	100%	Property management
Beijing Vanke Zhongliang Jiarifengjing Real Estate Development Company Limited (note)	Beijing	RMB830,000,000	50%	-	50%	Property development
Changchun Vanke Real Estate Company Limited	Changchun	RMB50,000,000	100%	95%	5%	Property development
Changchun Vanke Jingcheng Property Development Company Limited	Changchun	RMB10,000,000	100%	-	100%	Property development
Changsha Vanke Property Management Company Limited	Changsha	RMB5,000,000	100%	-	100%	Property management
Chengdu Vanke Chenghua Property Company Limited	Chengdu	RMB554,479,142	100%	-	100%	Property development
Chengdu Vanke Guanghua Property Company Limited	Chengdu	USD131,428,571	100%	-	100%	Property development
Chengdu Vanke Guobin Property Company Limited	Chengdu	USD140,000,000	60%	-	60%	Property development
Chengdu Vanke Jinjiang Property Company Limited	Chengdu	RMB10,000,000	100%	-	100%	Property development
Chengdu Vanke Property Management Company Limited	Chengdu	RMB5,000,000	100%	-	100%	Property management
Chengdu Vanke Real Estate Company Limited	Chengdu	RMB80,000,000	100%	90%	10%	Property development
Chengdu Vanke Huadong Real Estate Company Limited	Chengdu	RMB77,680,000	90%	-	90%	Property development
Chongqing Yu Development Coral Property Company Limited	Chongqing	RMB100,000,000	51%	-	51%	Property development

21 Principal subsidiaries (continued)

Name of company	*Place of establishment and operation*	*Paid in capital*	*Percentage of interest held by the Group*	*held by the Company*	*held by a subsidiary*	*Principal activities*
Vanke (Chongqing) Real Estate Company Limited	Chongqing	RMB80,000,000	100%	100%	-	Property development
Dalian Vanke City Real Property Company Limited	Dalian	USD42,000,000	55%	-	55%	Property development
Dalian Vanke Real Estate Development Company Limited	Dalian	RMB32,000,000	100%	-	100%	Property development
Dongguan Vanke Construction Research Company Limited	Dongguan	RMB20,000,000	100%	100%	-	Construction research
Dongguan Vanke Real Estate Company Limited	Dongguan	RMB20,000,000	100%	-	100%	Property development
Dongguan Xinwan Property Development Company Limited	Dongguan	RMB10,000,000	51%	-	51%	Property development
Dongguan Songhuju Property Company Limited	Dongguan	RMB10,000,000	100%	-	100%	Property development
Dongguan Vanke Property Management Company Limited	Dongguan	RMB5,000,000	100%	-	100%	Property management
Dongguan Xintong Industry Investment Company Limited	Dongguan	RMB10,000,000	51%	-	51%	Property development
Foshan Vanke Property Management Company Limited	Foshan	RMB3,000,000	100%	-	100%	Property management
Foshan Vanke Real Estate Company Limited	Foshan	RMB80,000,000	100%	-	100%	Property development
Foshan Nanhai District Jinyuhuating Propoerty Company Limited	Foshan	USD44,000,000	55%	-	55%	Property development
Foshan Nanhai District Jinyulanwan Propoerty Company Limited	Foshan	USD95,000,000	55%	-	55%	Property development
Vanke Property (Hong Kong) Company Limited	Hong Kong	USD9,500,000	100%	-	100%	Investment
Fuzhou Vanke Real Estate Company Limited	Fuzhou	RMB20,000,000	100%	40%	60%	Property development
Guangzhou Pengwan Property Company Limited (note)	Guangzhou	RMB200,000,000	50%	-	50%	Property development
Guangzhou Vanke Real Estate Company Limited	Guangzhou	RMB50,000,000	100%	-	100%	Property development
Guangzhou Wanxin Property Company Limited	Guangzhou	HKD760,000,000	100%	-	100%	Property development
Guangzhou Yinyejunrui Property Development Company Limited	Guangzhou	RMB10,000,000	100%	-	100%	Property development
Hainan Vanke Property Development Company Limited	Haikou	RMB10,000,000	100%	100%	-	Property development
Tander China Investment Company Limited	Hong Kong	HKD10,000	100%	-	100%	Investment
Vanke Real Estate (Hong Kong) Company Limited	Hong Kong	HKD15,600,000	100%	-	100%	Investment
Zhenjiang Rundu Property Company Limited	Zhenjiang	RMB10,000,000	100%	-	100%	Property development
Zhenjiang Runnan Property Company Limited	Zhenjiang	RMB50,000,000	100%	-	100%	Property development
Zhenjiang Runqiao Property Company Limited	Zhenjiang	RMB10,000,000	100%	-	100%	Property development
Zhenjiang Runzhong Property Company Limited	Zhenjiang	RMB10,000,000	100%	-	100%	Property development

21 Principal subsidiaries (continued)

Name of company	*Place of establishment and operation*	*Paid in capital*	*Percentage of interest held by the Group*	*held by the Company*	*held by a subsidiary*	*Principal activities*
Nanjing Hengyue Property Company Limited	Nanjing	RMB10,000,000	100%	-	100%	Property development
Nanjing Jinyu Blue Property Company Limited	Nanjing	RMB90,000,000	100%	-	100%	Property development
Nanjing Vanke Property Company Limited	Nanjing	RMB150,000,000	100%	-	100%	Property development
Ningbo Vanke Real Estate Company Limited	Ningbo	RMB150,000,000	100%	-	100%	Property development
Ningbo Jiangbei Vanke Property Company Limited	Ningbo	RMB675,000,000	100%	-	100%	Property development
Qingdao Da Shan Real Estate Development Company Limited	Qingdao	RMB100,000,000	60%	-	60%	Property development
Qingdao Vanke Real Estate Company Limited	Qingdao	RMB20,000,000	100%	100%	-	Property development
Qingdao Vanke Yinshengtai Real Estate Development Co., Ltd	Qingdao	RMB100,000,000	80%	80%	-	Property development
Hainan Fuchun East Real Estate Development Company Limited	Hainan	RMB20,000,000	100%	-	100%	Property development
Qingyuan Hongmei Investment Company Limited	Qingyuan	RMB280,000,000	95%	-	95%	Property development
Shanghai Luolian Property Company Limited.	Shanghai	RMB470,000,000	100%	-	100%	Property development
Shanghai Meilanhuafu Property Company Limited	Shanghai	RMB700,000,000	100%	-	100%	Property development
Shanghai Vanke Investment Management Company Limited	Shanghai	RMB204,090,000	100%	100%	-	Property development
Shanghai Tianyi Property Development Company Limited	Shanghai	RMB50,000,000	90%	-	90%	Property development
Shanghai Vanke Baobei Property Company Limited	Shanghai	RMB10,000,000	100%	-	100%	Property development
Shanghai Hengda Property Shareholding Company Limited	Shanghai	RMB141,348,200	100%	-	100%	Property development
Shanghai Vanke Property Management Company Limited	Shanghai	RMB10,000,000	100%	-	100%	Property management
Shanghai Vanke Pudong Property Company Limited	Shanghai	RMB160,000,000	100%	-	100%	Property development
Shanghai Vanke Real Estate Company Limited	Shanghai	RMB800,000,000	100%	-	100%	Property development
Shanghai Xiangda Real Estate Development Company Limited	Shanghai	RMB1,783,000,000	75%	-	75%	Property development
Shanghai Dijie Property Company Limited (note)	Shanghai	RMB20,000,000	50%	-	50%	Property development
Shenyang Vanke Property Management Company Limited	Shenyang	RMB10,000,000	100%	-	100%	Property management
Shenyang Vanke Real Estate Development Company Limited	Shenyang	RMB100,000,000	100%	95%	5%	Property development

21 Principal subsidiaries (continued)

Name of company	*Place of establishment and operation*	*Paid in capital*	*Percentage of interest held by the Group*	*held by the Company*	*held by a subsidiary*	*Principal activities*
Shenyang Vanke Jinyu Blue Bay Property Development Company Limited	Shenyang	RMB578,150,000	100%	-	100%	Property development
Shenyang Vanke Hunnan Jinyu Property Development Company Limited	Shenyang	RMB1,022,520,258	100%	-	100%	Property development
Shenyang Vanke Tianqinwan Property Company Limited	Shenyang	USD99,980,000	55%	-	55%	Property development
Shenzhen Vanke Daolin Investment Development Company Limited	Shenzhen	RMB20,000,000	100%	-	100%	Property development
Shenzhen Fuchun East (Group) Company Limited	Shenzhen	USD14,600,000	90%	-	90%	Property development
Shenzhen Fuchun East Real Estate Company Limited	Shenzhen	RMB158,000,000	100%	-	100%	Property development
Shenzhen Longcheer Yacht Club Company Limited	Shenzhen	RMB57,100,000	100%	-	100%	Club Service
Shenzhen Vanke City Scenery Property Company Limited	Shenzhen	RMB120,000,000	100%	-	100%	Property development
Shenzhen Vanke Real Estate Company Limited	Shenzhen	RMB600,000,000	100%	95%	5%	Property development
Shenzhen Vanke Financial Consultancy Company Limited	Shenzhen	RMB15,000,000	100%	95%	5%	Investment trading and Consultancy services
Shenzhen Vanke Nancheng Real Estate Company Limited	Shenzhen	RMB10,000,000	90%	-	90%	Property development
Shenzhen Vanke Property Management Company Limited	Shenzhen	RMB10,000,000	100%	95%	5%	Property management
Shenzhen Vanke Xingye Property Company Limited	Shenzhen	RMB62,413,230	100%	-	100%	Property development
Shenzhen Vanke Xizhigu Real Estate Company Limited	Shenzhen	RMB10,000,000	60%	-	60%	Property development
Suzhou Huihua Investment and Property Company Limited	Suzhou	RMB355,000,000	51%	-	51%	Property development
Suzhou Nandu Jianwu Company Limited	Suzhou	RMB300,000,000	70%	70%	-	Property development
Jiangsu Sunan Vanke Real Estate Company Limited	Suzhou	RMB30,000,000	100%	-	100%	Property development
Suzhou Vanke Zhongliang Property Company Limited	Suzhou	RMB230,000,000	51%	-	51%	Property development
Tianjin Vanke Property Management Company Limited	Tianjin	RMB10,000,000	100%	-	100%	Property management
Tianjin Vanke Real Estate Company Limited	Tianjin	RMB390,000,000	100%	-	100%	Property development
Tianjin Vanke Xinlicheng Company Limited	Tianjin	RMB230,000,000	100%	-	100%	Property development
Tianjin Wanbin Real Estate Development Company Limited	Tianjin	RMB140,000,000	100%	-	100%	Property development
Tianjin Wanfu Investment Company Limited	Tianjin	RMB10,000,000	100%	-	100%	Property development
Tianjin Wanzhu Investment Company Limited	Tianjin	RMB20,000,000	100%	-	100%	Property development
Tianjin Zhongtian Wanfang Investment Company Limited	Tianjin	RMB20,000,000	100%	-	100%	Property development

21 Principal subsidiaries (continued)

Name of company	*Place of establishment and operation*	*Paid in capital*	*Percentage of interest held by the Group*	*held by the Company*	*held by a subsidiary*	*Principal activities*
Wuhan Guohao Property Company Limited	Wuhan	RMB10,000,000	55%	-	55%	Property development
Wuhan Vanke Property Management Company Limited	Wuhan	RMB12,000,000	100%	-	100%	Property management
Wuhan Vanke Real Estate Company Limited	Wuhan	RMB150,000,000	100%	95%	5%	Property development
Wuhan Vanke Tianrun Real Estate Company Limited	Wuhan	USD57,600,000	100%	-	100%	Property development
Wuhan Wangjiadun Morden City Property Company Limited	Wuhan	RMB200,000,000	90%	-	90%	Property development
Wuxi Dongcheng Real Estate Company Limited	Wuxi	USD99,600,000	100%	-	100%	Property development
Wuxi Vanke Property management Company Limited	Wuxi	RMB3,000,000	100%	-	100%	Property management
Wuxi Vanke Real Estate Company Limited	Wuxi	RMB300,000,000	60%	60%	-	Property development
Wuxi Wansheng Real Estate Development Company Limited	Wuxi	USD49,200,000	55%	-	55%	Property development
Xiamen Vanke Real Estate Company Limited	Xiamen	RMB50,000,000	100%	-	100%	Property development
Xi'an Vanke Real Estate Company Limited	Xi'an	RMB20,000,000	100%	-	100%	Property development
Zhuhai Vanke Real Estate Company Limited	Zhuhai	RMB10,000,000	100%	-	100%	Property development
Zhuhai Zhubin Property Development Company Limited	Zhuhai	RMB109,000,000	100%	-	100%	Property development
Huizhou Vanke Property Company Limited	Huizhou	RMB10,000,000	100%	-	100%	Property development
Hefei Vanke Property Company Limited	Hefei	RMB20,000,000	100%	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.

22 Interest in associates

Details of the Group's principal associates at 31 December 2009 are as follows:

Name of company	*Place of establishment and operation*	*Paid in capital*	*Percentage of interest held by the Group*	*held by the Company*	*held by a subsidiary*	*Principal activities*
Beijing Vanke Consultancy Company Limited	Beijing	RMB100,000	20.00%	-	20.00%	Consultancy services
Shanghai Zhongfang Binjiang Real Estate Company Limited	Shanghai	RMB200,000,000	25.00%	-	25.00%	Property development
Wuhan Golf City Garden Real Estate Company Limited (note)	Wuhan	RMB219,000,000	49.00%	-	49.00%	Property development
Shanghai Nandu White Horse Real Estate Company Limited (note)	Shanghai	RMB27,000,000	49.00%	-	49.00%	Property development
Chengdu Yihang Vanke Binjiang Real Estate Company Limited (note)	Chengdu	RMB140,000,000	49.00%	-	49.00%	Property development
Hefei Yihang Vanke Real Estate Company Limited	Hefei	RMB101,500,000	50.00%	-	50.00%	Property development
Suzhou Zhonghang Vanke Changfeng Real Estate Company Limited	Suzhou	RMB200,000,000	49.00%	-	49.00%	Property development
Hangzhou Star Real Estate Company Limited	Hangzhou	RMB50,000,000	20.00%	-	20.00%	Property development
Changsha Oriental City Real Estate Company Limited	Changsha	RMB20,000,000	20.00%	-	20.00%	Property development
Shanghai Zunyi Property Management Company Limited	Shanghai	RMB3,000,000	30.00%	-	30.00%	Property management
Beijing Jinyu Vanke Real Estate Development Company Limited	Beijing	RMB190,000,000	49.00%	-	49.00%	Property development
Foshan Shunde Zhonghang Vanke Real Estate Company Limited	Foshan	RMB10,000,000	49.00%	-	49.00%	Property development
Shenzhen Mingjue investment Company Limited	Shenzhen	RMB15,000,000	40.00%	-	40.00%	Investment consultation

Note: Except for the 15% equity interest held directly, the Group also hold 34% effective equity interest in these associates through a jointly controlled entity.

Summary financial information on associates:

	Assets	*Liabilities*	*Equity attributable to parent*	*Revenue*	*Profit*
2009					
100 per cent	10,271,806,802	8,013,212,222	2,258,594,580	7,412,023,684	1,562,276,704
Group's effective interest	4,220,037,527	3,510,525,247	709,512,280	2,276,229,781	392,250,939
2008					
100 per cent	7,312,096,864	5,435,615,027	1,876,481,837	2,283,305,003	601,706,907
Group's effective interest	2,963,597,886	2,455,422,698	508,175,188	818,977,888	219,115,497

23 Interest in jointly controlled entities

Details of the Group's principal jointly controlled entities at 31 December 2009 are as follows:

Name of company	*Place of establishment and operation*	*Paid in capital*	*Percentage of interest held by the Group*	*held by the Company*	*held by a subsidiary*	*Principal activities*
Shenyang Yong Da Property Company Limited (note 1)	Shenyang	RMB197,235,443	49.00%	-	49.00%	Property development
Hangzhou Song City Property Company Limited	Hangzhou	RMB130,000,000	50.00%	-	50.00%	Property development
Shanghai Jialai Real Estate Development Company Limited (note 1)	Shanghai	RMB180,000,000	49.00%	-	49.00%	Property development
Zhonghang Vanke Company Limited (note 1)	Beijing	RMB1,000,000,000	40.00%	40.00%	-	Property development
Dongguan Vanke Property Company limited	Dongguan	RMB10,000,000	50.00%	-	50.00%	Property development
Dalian Vanke Charming City Property Development Company Limited (note 1)	Dalian	RMB 340,000,000	30.00%	-	30.00%	Property development
Wuhan Vanke Qinganju Property Development Limited (note 1)	Wuhan	RMB100,000,000	30.00%	-	30.00%	Property development
Yunnan Vanke City Property Company Limited (note 2)	Kunming	RMB10,000,000	51.00%	51.00%	-	Property development
Changsha Lingyu Real Estate Development Company Limited (note 1)	Changsha	RMB100,000,000	60.00%	60.00%	-	Property development
Changsha Lingyu Investment Company Limited (note 1)	Changsha	RMB100,000,000	60.00%	60.00%	-	Property development
Beijing Zhongliang Vanke Real Estate Development Company Limited (note 1)	Beijing	RMB800,000,000	50.00%	-	50.00%	Property development

Notes:

(1) A contractual arrangement between the Group and the counterparty of these entities establishes joint control over the financial and operating policies of these entities.

(2) The Group is entitled to 50% voting right of the entity as the board of directors are appointed by the Group and the counterpart equally.

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

	2009	*2008*
Non-current assets	413,738,553	374,540,476
Current assets	6,212,322,249	3,360,015,120
Non-current liabilities	(82,050,000)	(19,600,000)
Current liabilities	(3,780,133,404)	(1,826,146,436)
Net assets	2,763,877,398	1,888,809,160
Income	969,474,034	466,170,606
Expenses	(819,864,110)	(475,550,240)
Profit / (Loss) for the year	149,609,924	(9,379,634)

24 Other financial assets

	2009	*2008*
Available-for-sale securities in the PRC		
Equity securities		
- Unlisted	91,993,324	88,740,921
- Listed in the PRC	163,629,472	84,559,813
Debt securities		
- Unlisted	-	82,858,082
	255,622,796	256,158,816

25 Deferred tax assets / (liabilities)

(a) Deferred tax assets

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

	2009	*2008*
Tax losses	289,824,752	141,925,456
Impairment loss of trade and other receivables	17,811,958	8,323,552
Provision for diminution in value of properties	156,170,130	309,492,273
Accruals for construction costs	145,121,089	175,160,001
Accrual for Land Appreciation Tax	575,409,722	784,818,610
Other temporary differences	81,311,828	29,760,741
	1,265,649,479	1,449,480,633

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

	2009	*2008*
Tax losses	1,006,670,048	917,582,959
Other temporary differences	158,420,591	148,199,000
	1,165,090,639	1,065,781,959

The tax losses expire between 2010 and 2014. The deductible temporary differences will not expire the under current tax legislation. The above deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

25 Deferred tax assets / (liabilities) (continued)

(b) Deferred tax liabilities

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

	2009	*2008*
Fair value adjustments on available-for-sale securities	(28,303,017)	(10,545,770)
Fair value adjustments arising from business combinations	(1,192,965,769)	(1,369,941,857)
	(1,221,268,786)	(1,380,487,627)

(c) Movements in deferred taxation, net:

	2009	*2008*
At 1 January	68,993,006	(963,003,034)
Transferred to consolidated income statement (note 13(a))	(6,855,066)	1,012,889,420
Recognised in other comprehensive income (note 14(a))	(17,757,247)	19,106,620
At 31 December	44,380,693	68,993,006

26 Inventories

	2009	*2008*
Raw materials	59,998,046	48,111,356
Inventories recognised as cost of sales for the year	11,432,652	16,309,805

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

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

	2009	*2008*
With lease term of 50 years or more	56,788,947,082	54,737,002,663
With lease term of less than 50 years	3,624,287,723	3,906,402,115
	60,413,234,805	58,643,404,778

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

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

	2009	*2008*
Carrying amount of properties sold	34,219,897,859	24,653,484,452
Write down of properties	150,693	1,230,561,038
Reversal of write-down of properties	(616,565,282)	(1,436,701)
	33,603,483,270	25,882,608,789

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

(c) Included in properties held for development, property under development and completed properties for sale an amount of RMB52,736 million (2008: RMB34,131 million) is not expected to be recovered within one year.

28 Trade and other receivables

	2009	*2008*
Debtors and other receivables	4,381,802,497	2,943,528,935
Less: allowance for doubtful debts	(163,638,185)	(141,023,757)
	4,218,164,312	2,802,505,178
Amount due from associates and jointly controlled entities	4,281,498,407	1,617,804,867
Less: allowance for doubtful debts	(661,378)	(1,438,296)
	4,280,837,029	1,616,366,571
Prepaid taxes	1,979,482,542	837,140,813
Deposits and prepayments	6,756,836,958	3,160,518,999
	17,235,320,841	8,416,531,561

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

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

All of the trade and other receivables, apart from deposits of RMB374 million (2008: RMB658 million), and the acquisition prepayment of RMB432 million (2008: RMB575 million) are expected to be recovered within one year.

28 Trade and other receivables (continued)

Apart from the amounts due from associates and jointly controlled entities of RMB2,206 million (2008: RMB314million) which are interest bearing at market interest rate, amounts due from associates and jointly controlled entities are interest free, unsecured and have no fixed terms of repayment. The interest income received from associates during the year amounted to RMB9 million (2008: RMB27 million).

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

Impairment of trade debtors and other receivables

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

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

	2009	*2008*
At 1 January	142,462,053	105,704,325
Impairment loss recognised	28,275,933	37,552,195
Uncollectible amounts written off	(6,438,423)	(794,467)
At 31 December	164,299,563	142,462,053

At 31 December 2009, the Group's trade debtors and other receivables of RMB164 million, (2008: RMB142 million) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB164 million (2008: RMB142 million) were recognised. The Group does not hold any collateral over these balances.

Trade debtors and other receivable that are not impaired

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

	2009	*2008*
Neither past due nor impaired	4,841,756,331	4,294,160,423
Less than 1 year past due	520,080,632	124,711,326
	5,361,836,963	4,418,871,749

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

28 Trade and other receivables (continued)

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

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

29 Cash and cash equivalents and pledged deposits

Cash and cash equivalents and pledged deposits consist of cash on hand and balances with banks. The balance includes deposits with banks of RMB1,003 million and RMB403 million unused proceeds raised in prior year share allotment with restriction for designated purposes.

30 Share capital

	2009		*2008*	
	Number of shares	*Nominal value*	*Number of shares*	*Nominal value*
Registered, issued and fully paid:				
A shares of RMB1 each	9,680,254,750	9,680,254,750	9,680,254,750	9,680,254,750
B shares of RMB1 each	1,314,955,468	1,314,955,468	1,314,955,468	1,314,955,468
	10,995,210,218	10,995,210,218	10,995,210,218	10,995,210,218

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

A summary of the movements in the Company's share capital during 2008 is as follows:

	Issued share capital		
	A shares	*B shares*	*Total*
At 1 January 2008	6,050,159,219	821,847,168	6,872,006,387
Capitalisation of share premium (note 31(a))	3,630,095,531	493,108,300	4,123,203,831
At 31 December 2008	9,680,254,750	1,314,955,468	10,995,210,218

There were no movement in share capital during 2009.

31 Reserves

(a) Share premium

During the year ended 31 December 2008, the Company issued 4,123,203,831 shares with a par value of RMB1 each to all shareholders in the ratio of 6 shares for every 10 shares held as recorded in the register of shareholders on 13 June 2008 upon capitalisation of share premium. There were no such issues in 2009.

(b) Statutory reserves

Statutory reserves include the following items:

(i) Statutory surplus reserve

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

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

For the year ended 31 December 2009, the Company transferred RMB287,447,528 (2008: RMB158,201,976), being 10% of the Company's current year's net profit as determined in according with the PRC Accounting Rules and Regulations, to this reserve.

(ii) Discretionary surplus reserve

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

For the year ended 31 December 2009, the directors proposed to transfer RMB1,868,408,931 (2008: RMB1,028,312,846), being 65% (2008: 65%) of the Company's current year's net profit as determined in accordance with the PRC Accounting Rules and Regulations, to this reserve.

(c) Employee share-based compensation reserve

Employee share-based compensation reserve comprises the fair value of the shares awarded under the Employees' share award scheme (see note 36) to the employees of the Company recognised in accordance with the accounting policy adopted for equity compensation benefits as stated in note 3(o)(ii).

On 25 May 2009, the Company received the proceeds of RMB 620,656,308 in respect of the sale of Awarded Shares held under the 2008 Scheme, which were forfeited due to that the non-market performance conditions were not met.

31 Reserves (continued)

(c) Employee share-based compensation reserve (continued)

During the year ended 31 December 2008, equity-based employee benefits of RMB 494,987,500 were charged to the consolidated income statement and with the corresponding amount credited to the reserve, RMB235,000,000 of which was related to the 2007 Scheme and the remaining RMB259,987,500 was related to the 2008 Scheme.

On 30 September 2008, equity-based employee benefits of RMB259,987,500 in respect of the 2008 Scheme was reversed as the directors subsequently considered that the 2008 Scheme's non-market performance condition of over 15% year-to-year profit growth was unlikely to be met.

(d) Revaluation reserve

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

(e) Other reserves

Other reserves are resulted from transactions with owners in their capacity as owners. The balance as at 31 December 2009 comprise capital reserve deficit arising from difference between fair value and book value of the acquiree's net assets at the date of stepped acquisition of RMB 241,332,344 (2008: RMB 241,332,344), and surplus for acquisitions of minority interests of RMB 20,958,427 (2008: nil), and deficit arising from disposal of Awarded Shares held under the 2008 scheme of RMB 143,249,210 (2008: nil) (see note 36).

(f) Retained profits

At 31 December 2009, included in the retained profits attributable to equity shareholders of the Group is an amount of RMB2,581,661,025 (2008: RMB1,618,315,317) which represents the Group's subsidiaries' statutory reserves, being attributable to the equity shareholders of the Company.

(g) Capital management

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

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

32 Interest-bearing borrowings and bonds

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

	2009	*2008*
Non-current		
Secured or guaranteed		
- bank loans (note (a))	2,300,254,991	1,553,110,000
- corporate bonds (note (b))	2,915,228,176	2,894,365,250
- other borrowings (note (c))	1,200,000,000	-
	6,415,483,167	4,447,475,250
Unsecured		
- bank loans	5,218,451,222	7,621,010,095
- corporate bonds (note (b))	2,878,507,630	2,873,650,747
- other borrowings (note (c))	8,784,092,083	-
	16,881,050,935	10,494,660,842
	23,296,534,102	14,942,136,092

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

	2009	*2008*
After 1 year but within 2 years	15,934,138,520	7,876,887,677
After 2 years but within 5 years	7,362,395,582	7,065,248,415
	23,296,534,102	14,942,136,092

32 Interest-bearing borrowings and bonds (continued)

	2009	*2008*
Current		
Secured or guaranteed		
- bank loans (note (a))	150,000,000	60,000,000
- current portion of long term bank loans (note (a))	1,258,730,915	363,995,220
- other borrowings (note (c))	-	120,000,000
	1,408,730,915	543,995,220
Unsecured		
- bank loans	1,038,256,111	190,000,000
- current portion of long term bank loans	6,181,683,452	5,792,489,356
- other borrowings (note (c))	-	4,351,968,334
- current portion of long term other borrowings	-	6,987,890,000
	7,219,939,563	17,322,347,690
	8,628,670,478	17,866,342,910

Notes:

(a) Bank loans

The secured or guaranteed bank loans of 3,709 million as at 31 December 2009 (2008: RMB1,977 million) are secured over certain properties held for development and properties under development with aggregate carrying value of RMB3,496 million (2008: RMB2,968 million), the Group's interests in certain subsidiaries.

The interest rate of bank loans ranges from 4.86% to 8.33% in 2009 (2008: from 4.86% to 10.00%).

(b) Corporate bonds

	2008	
	Corporate bonds No.101688	*Corporate bonds No.101699*
Proceeds from issue of corporate bonds of RMB100 each	2,900,000,000	3,000,000,000
Transaction costs	(28,271,731)	(111,746,619)
Net proceeds	2,871,728,269	2,888,253,381
Transaction costs amortised	1,922,478	6,111,869
Carrying value at 31 December	2,873,650,747	2,894,365,250

32 Interest-bearing borrowings and bonds (continued)

Notes (continued):

(b) Corporate bonds (continued)

	2009	
	Corporate bonds No.101688	*Corporate bonds No.101699*
Brought forward value at 1 January	2,873,650,747	2,894,365,250
Transaction costs amortised	4,856,883	20,862,926
Carrying value at 31 December	2,878,507,630	2,915,228,176

In September 2008, the Company issued two series of corporate bonds, namely the "No. 101688 Bonds" and the "No. 101699 Bonds", amounting to RMB5,900 million. Both Bonds are listed on the Shenzhen Stock Exchange.

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

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

(c) Other borrowings

	2009	*2008*
Non-current		
Proceeds	10,200,000,000	-
Transaction costs	(215,907,918)	-
	9,984,092,082	-
Current		
Proceeds	-	4,520,000,000
Transaction costs	-	(48,031,666)
	-	4,471,968,334
Current portion of long term other borrowings		
Proceeds	-	6,987,890,000

32 Interest-bearing borrowings and bonds (continued)

Notes (continued):

(c) Other borrowings (continued)

Other borrowings represent interest bearing borrowings raised from third party lenders through trust companies at market interest rate. The interest rate of these borrowings ranges from 4.90% to 5.40% in 2009 (2008: 4.86% to 10.00%).

Other borrowings of RMB 1,200 million as at 31 December 2009 were guaranteed by the Company for its subsidiaries.

Other borrowings of RMB 120 million as at 31 December 2008 were secured over certain properties held for development and properties under development with aggregate carrying value of RMB 370 million.

33 Other long term liabilities

Other long term liabilities at 31 December 2009 and 2008 mainly represented consideration payable in connection with acquisitions of subsidiaries and was due for settlement by instalments in 2011 and 2012.

34 Trade and other payables

	2009	*2008*
Trade payable	16,300,047,906	12,895,962,837
Amounts due to associates	24,046,337	21,277,927
Amounts due to jointly controlled entities	900,009,782	841,977,518
Deposits received in advance	31,734,801,164	23,945,755,140
Other payables and accrued expenses	6,101,542,047	6,225,573,623
Other taxes	183,964,631	48,660,688
Total	55,244,411,867	43,979,207,733

All of the trade and other payables, except for retention moneys of RMB417 million (2008: RMB213 million), are expected to be settled within one year.

35 Provisions

	2009	*2008*
Balance at 1 January	41,729,468	37,962,953
Provisions made during the year	2,667,737	8,300,215
Provisions used during the year	(10,041,390)	(4,533,700)
Balance at 31 December	34,355,815	41,729,468

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

36 Employees' share award scheme

Pursuant to a shareholders' resolution passed on 30 May 2006, the Company adopted an Employees' Share Award Scheme (the "Scheme") for each of the years ended 31 December 2006, 2007 and 2008 under which certain employees of the Group, including certain directors of the Company, will be entitled to certain A shares of the Company if the vesting conditions as set out in the Scheme are met.

Background of the Scheme

Under the Scheme, the Company made an initial contribution to an independently-administrated Trust (the "Trust") for each of the years ended 31 December 2006, 2007 and 2008 based on certain historical performance indicators of the Group in the respective year ("Year 0"). The Trust then purchased the Awarded Shares from the Shenzhen Stock Exchange and held the Awarded Shares under trust. The final amount to be contributed to the Trust for each year's scheme depends on the financial performance of the Group for Year 0 as compared with that of the year before the Year 0 (as determined under the PRC Accounting Regulations) and is determined as follows:

- if the growth rate of the audited net profit is less than or equal to 15%, no contribution is required.
- if the growth rate of the audited net profit for the respective year is more than 15% but less than or equal to 30%, the total contribution equals to the net profit incremental multiplied by the growth rate.
- if the growth rate of the audited net profit is more than 30%, the total contribution equals to the net profit incremental multiplied by 30%.

Pursuant to the Scheme, the total contribution to the Trust for each year's scheme will not exceed 10% of the net profit for Year 0.

Duration of the vesting period depends on the market price of the Company's A shares in Year 0 through two years after Year 0 ("Year 2"). When the average closing price of Company's A shares in the year after Year 0 (expressed as "Year 1" below) is higher than that in Year 0, the Scheme is vested and the Trust is required to distribute the Awarded Shares to the designated employees in Year 2. When the average closing price of the Company's A shares in Year 1 is lower than that in Year 0, the vesting period is extended to 31 December of Year 2 whereby the Scheme is vested when the average closing price of the Company's A shares in Year 2 is higher than that in both Year 0 and Year 1. In the circumstances, the Trust is required to distribute the Awarded Shares to the designated employees in the year after Year 2. Otherwise, the Trust is terminated and the Awarded Shares will be resold in the Shenzhen Stock Exchange and the proceeds be refunded to the Company.

36 Employees' share award scheme (continued)

Details of the Awarded Shares purchased by the Trust under the Scheme are as follows:

	Scheme for the year ended 31 December 2008 (The 2008 Scheme)		*Scheme for the year ended 31 December 2007 (The 2007 Scheme)*		*Scheme for the year ended 31 December 2006 (The 2006 Scheme)*		*Total*	
	Number of shares purchased	*Aggregate amount paid*	*Number of shares purchased*	*Aggregate amount paid*	*Number of shares purchased*	*Aggregate amount paid*	*Number of shares purchased*	*Aggregate amount paid*
At 1 January 2008	-	-	17,229,468	242,994,816	43,740,250	223,546,730	60,969,718	466,541,546
Purchased through the Trust (Note i)	37,804,258	763,905,518	11,533,195	243,140,600	-	-	49,337,453	1,007,046,118
New shares through bonus issue (Note ii)	22,682,555	-	17,257,598	-	17,282,420	-	57,222,573	-
Dividend reinvested through the Trust	439,007	-	321,500	-	424,700	-	1,185,207	-
Distribution of Awarded Shares(Note iii)	-	-	-	-	(61,447,370)	(223,546,730)	(61,447,370)	(223,546,730)
At 31 December 2008	60,925,820	763,905,518	46,341,761	486,135,416	-	-	107,267,581	1,250,040,934
At 1 January 2009	60,925,820	763,905,518	46,341,761	486,135,416	-	-	107,267,581	1,250,040,934
Sale of forfeited Awarded shares	(60,925,820)	(620,656,308)	-	-	-	-	(60,925,820)	(620,656,308)
Deficit arising from sales of Awarded Shares	-	(143,249,210)	-	-	-	-	-	(143,249,210)
Dividend reinvested through the trust	-	-	210,000	-	-	-	210,000	-
At 31 December 2009	-	-	46,551,761	486,135,416	-	-	46,551,761	486,135,416

Note:

(i) On 2 June 2008, the Company made an additional contribution of RMB243,140,600 to the 2007 Scheme and the Trust acquired 11,533,195 A shares of the Company. On the same day, the Company made a contribution of RMB763,905,518 to the 2008 Scheme and the Trust acquired 37,804,258 A shares of the Company.

(ii) On 16 June 2008, the Company issued new A shares out of the share premium in the ratio 10:6 to all equity shareholders. Accordingly, additional 22,682,555, 17,257,598 and 17,282,420 A shares were issued to the 2008, 2007 and 2006 Schemes respectively.

(iii) Pursuant to the 2006 Scheme, on 13 September 2008, the Trust distributed 61,447,370 A shares under the 2006 Scheme to the eligible employees upon vesting of the 2006 Scheme.

(iv) On 25 May 2009, the Company received the proceeds of RMB 620,656,308 in respect of the sales of Awarded Shares held under the 2008 Scheme, which were forfeited due to that non-market performance conditions were not met in 2008 (see note 31(c)).

The deficit of the sale proceeds less the purchased value of the Awarded Shares under 2008 Scheme is transferred out to other reserves within equity.

36 Employees' share award scheme (continued)

Details of the Awarded Shares purchased by the Trust under the Scheme are as follows (continued):

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

37 Material related party transactions

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

Associates	(note 22, 28 & 34)
Jointly controlled entities	(note 23, 28 & 34)
Key management personnel	(see note (b) below)
Post-employment benefit plans	(note 11)

(b) Key management personnel compensations

The key management personnel compensations are as follows:

	2009	*2008*
Short-term employee benefits	77,001,000	27,252,500

The above compensations are included in "personnel expenses" (see note 11). In addition, all the key management personnel are participants of the Employees' share award scheme of the Group (see note 36).

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:

	2009	*2008*
Sales of properties to the key management personnel	17,766,449	1,217,125
Related cost of sales	(9,844,936)	(1,001,353)
Gross profit	7,921,513	215,772
Estimated fair value of the properties sold to the key management personnel	18,579,645	1,857,125

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

38 Commitments

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

	2009	*2008*
Contracted for	25,845,776,320	23,202,031,151

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

(b) At 31 December 2008, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2009	*2008*
Within 1 year	25,616,859	32,497,446
After 1 year but within 2 years	9,172,514	20,784,514
After 2 year but within 5 years	4,619,928	30,333,962
After 5 years	-	4,735,353
	39,409,301	88,351,275

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of two to ten years. None of the leases includes contingent rentals. During the year, the operating lease expense of the Group amounted to RMB36 million (2008: RMB41 million).

39 Contingent liabilities

As at the balance sheet date, the Group has issued guarantees to banks to secure the mortgage arrangement of property buyers. The outstanding guarantees to the banks amounted to RMB22,083 million (2008: RMB17,969 million), including guarantees of RMB21,272 million (2008: RMB17,452 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 RMB811 million (2008: RMB517 million) which will be terminated upon full repayment of mortgage loans by buyers to the banks.

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

40 Financial risk management

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

(a) Interest rate risk

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

At 31 December 2009, it is estimated that a general increase of 0.5% in interest rates, with all other variables held constant, would decrease the Group's profit after tax by approximately RMB12 million (2008: RMB49 million).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The analysis is performed on the same basis for 2008.

(b) Credit risk

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

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

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

(c) Liquidity risk

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

40 Financial risk management (continued)

(c) Liquidity risk (continued)

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

	2009				
	Carrying amount	*Total contractual undiscounted cash flow*	*Within 1 year or on demand*	*More than 1 year but less than 2 year*	*More than 2 years but less than 5 years*
Interest-bearing borrowings	26,131,468,775	28,828,225,766	10,235,713,529	16,974,290,816	1,618,221,420
Corporate bonds	5,793,735,806	7,249,333,333	368,000,000	368,000,000	6,513,333,333
Creditors and accrued charges	22,401,589,953	22,401,589,953	22,401,589,953	-	-
Amounts due to jointly controlled entities and associates	924,056,119	924,056,119	924,056,119	-	-
Other long term liabilities	8,408,145	8,408,145	-	-	8,408,145

	2008				
	Carrying amount	*Total contractual undiscounted cash flow*	*Within 1 year or on demand*	*More than 1 year but less than 2 year*	*More than 2 years but less than 5 years*
Interest-bearing borrowings	27,040,463,005	28,614,049,859	18,958,810,394	8,343,262,843	1,311,976,622
Corporate bonds	5,768,015,997	7,614,880,000	368,000,000	368,000,000	6,878,880,000
Creditors and accrued charges	19,121,536,460	19,121,536,460	19,121,536,460	-	-
Amounts due to jointly controlled entities and associates	863,255,445	863,255,445	863,255,445	-	-
Other long term liabilities	12,644,850	12,644,850	-	2,946,875	9,697,975

(d) Foreign exchange risk

The Group is exposed to foreign currency risk primarily on 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 and Hong Kong dollars.

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

	2009	*2008*
United States Dollars	806,368,281	420,141,957
Hong Kong Dollars	8,147,723	7,049,434

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

	2009	*2008*
United States Dollars	2,602,202,906	2,388,563,971
Hong Kong Dollars	-	134,930,700

40 Financial risk management (continued)

(d) Foreign exchange risk (continued)

Financial assets at fair value through profit or loss denominated in a currency other than the functional currency of the entity to which they relate are as follows:

	2009	*2008*
United States Dollars	-	1,694,880

Sensitivity analysis

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

		2009		*2008*	
	Increase / (decrease) in foreign exchange rates	*Effect on profit after tax and retained profits*	*Effect on other components of equity*	*Effect on profit after tax and retained profits*	*Effect on other components of equity*
United States Dollars	10%	(134,687,597)	(134,492,028)	(112,192,264)	(113,246,603)
United States Dollars	(10%)	134,687,597	134,492,028	112,192,264	113,246,603
Hong Kong Dollars	10%	(611,079)	(213,039,426)	(9,718,976)	(220,462,035)
Hong Kong Dollars	(10%)	611,079	213,039,426	9,718,976	220,462,035

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

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale equity securities (see note 24). The Group monitors the performance of the available-for-sale equity securities regularly.

41 Non-adjusting post balance sheet events

After the balance sheet date the directors proposed a final dividend, further details of which are disclosed in note 16.

42 Comparative figures

As a result of the application of IAS 1 (revised 2007), *Presentation of financial statements*, and IFRS 8, *Operating segments*, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 4.

43 Accounting estimates and judgments

Key sources of estimation uncertainty

(i) Impairment provision for properties held for development

As explained in note 3(h), the Group makes impairment provision for properties held for development taking into account the Group's estimates of the recoverable amount from such properties. Given the volatility of the PRC property market, the actual recoverable amount may be higher or lower than that estimated at the balance sheet date. Any increase or decrease in the provision would affect profit or loss in future years.

(ii) Impairment provision for completed properties for sale and properties under development

As explained in notes 3(j) and 3(k), the Group's completed properties for sale and properties under development 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 case for properties under development, and the costs to be incurred in selling the properties. Given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than that estimated at the balance sheet date. Any increase or decrease in the provision would affect profit or loss in future years.

(iii) Land appreciation tax

As explained in note 13(a), land appreciation tax is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use rights, borrowing cost and relevant property development expenditures. Given the uncertainties of the calculation basis of land appreciation tax to be interpreted by the local tax bureau, the actual outcomes may be higher or lower than that estimated at the balance sheet date. Any increase or decrease in estimates would affect profit or loss in future years.

44 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2009

Up to date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2009 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application.

So far it has concluded that the adoption of them is unlikely to result in a restatement of the Group's results of operations and financial position.

In addition, the following developments are expected to result in amended disclosures in the financial statements, including restatement of comparative amounts in the first period of adoption:

	Effective for accounting periods beginning on or after
IFRS 3 (Revised), *Business Combination*	1 July 2009
Amendments to IAS 27, *Consolidated and Separate Financial Statements*	1 July 2009
IFRS 9, *Financial Instruments*	1 January 2013
Amendments to IAS 24, *Related Party Disclosures*	1 January 2011