2008 Annual Report

Important Notice:

The Board, the Supervisory Committee, Directors, members of the Supervisory Committee and senior management of the Company warrant that in respect of the information contained in this Annual 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 Annual Report.

Chairman Wang Shi, Director Yu Liang, Director Sun Jianyi, Director Shirley L. Xiao, Independent Director David Li Ka Fai, Independent Director Judy Tsui Lam Sin Lai, Independent Director Qi Daqing and Independent Director Charles Li attended the board meeting in person. Deputy Chairman Song Lin, Director Wang Yin 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.

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 this Annual Report is warranted to be true and complete.

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I.To Shareholders

Reviewing 2008 would not be an easy task as so many things have happened and things were in such a great contrast to 2007. In any case, 2008 could not be seen as a glorious page in the history of the PRC residential property industry or China Vanke. Even so, the year had brought forth many thought-provoking issues, which perhaps were the biggest gain for us in 2008.

Earnings and room for growth

There is a common perception when it comes to property industry: people would associate "property industry" with "high profitability", regarding rising housing prices as a favourable factor to the property industry. China Vanke has always held a different view on this issue. As early as in 2005, the Company pointed out that: "it is in the interest of the property industry to maintain stable development rather than exponential increase in prices". Yet, only until 2008, could the Company feel the real and deep impact.

The PRC's residential property industry, in principle, could not have been a high profit industry. It is an industry with low entry barriers or requirements of sophisticated technical know-how. Against the backdrop of complete marketisation of land transactions, certain first movers can no longer enjoy the sole ownership of the non-replaceable resources. With the gradual depletion of idle land resources, those first movers who possess the advantages in this area are rapidly waning in strength and will eventually be eliminated from the market. As such, a fair gain is the only thing that can be expected from such an industry.

It therefore does not require much effort to predict what would happen when everyone in general perceives that the property industry, which has low entry requirements, is a high yield industry. The flooding of external capital and common perception in the industry caused a euphoric market sentiment in 2007, resulting in an abnormal phenomenon where land cost exceeded the price of housing units. Such situation had stopped in 2008. However, the land obtained at high costs in 2007 is unlikely to help the developers to make an average profit in the next few years, not to mention significant profits.

It is true that 2007 saw successful economic performance; however it was like being built on sand, which would not last long. We should not ask whether the prime time of 2007 would return or not. The rise of the PRC and its influence on the global economy has not yet come to an end, and there is still room for the PRC property industry to mature. As such, the prosperity seen in 2007 may appear again; however, it should not return – it is not an aspiration; it is a warning signal.

On the contrary, 2008 may not be a glorious year, but that year was a necessary period. It is an integral part of a complete cycle and a complete growth path of the PRC residential property industry. Only when 2008 is taken into account in the history of the PRC residential property industry, the basic structure of how the PRC residential property industry operates becomes a reality.

So, what attractions does the PRC property industry retain when it has been stripped of the fairy tale of high profits? The actual value lies in the industry's high growth potential instead of high profitability. Its real attraction lies in the future instead of the past. The PRC is a growing economic giant with the largest population. There could be more than one domestic industry competing to be the world's leading industry. Among these industries, the property industry has the largest room for growth and a currently low concentration ratio.

The following passage was published in the Company's 2007 annual report. Pardon us for reiterating it here because it reflects our long-term vision instead of a fleeting emotion:

"China is experiencing a process of rapid modernisation and urbanisation. It is probably an opportunity only occurred once in the history of a nation. Amidst this historical moment, the development of the China residential property industry is bound to be extraordinary, given its close association with urbanisation. The sensational upsurge and the following adjustment in the market are likely to repeat. As a player in the industry, members of China Vanke will remain indifferent to such ups and downs.

Despite the widely politicised turbulence, the market's actual purchasing power is quietly growing. The residential market continues to develop into a mature industry. As an industry with little entry barrier, the resources and opportunities available to the market participants are becoming more equal. The time had passed for a corporation to enjoy profitability merely through the advantage of securing a resource. In the future, only those companies create values can survive. Only those enterprises that can have the ability to maximise resources utilisation, to create products with high price/performance ratio with the lowest consumption can stay in the front of the industry."

At least for China Vanke, we believe that free entry, adequate competition, fair gain, and enormous room for market growth are worth looking forward to, at least for China Vanke.

Prediction and reaction

In the fourth quarter of 2007, when excited market sentiment prevailed, China Vanke's unique viewpoint caught the attention of the society and was given the name of "turning point theory". The viewpoint had caused controversy within the industry and the Company was called into question.

Following the overall industry adjustment in 2008, it became pointless to argue or raise any doubts. There was growing demand for China Vanke to make market predictions. The most frequently asked question is: "Where and when will the market reach its trough?"

Unfortunately, China Vanke is unable to provide an answer to this question. In our opinion, it is impossible to predict when the market peak and trough will occur. It was a coincidence that the market peak and the controversy caused by the "turning point theory" occurred in the fourth quarter of 2007. China Vanke had made its warning about the excited market sentiment in its 2007 interim report, although it did not arouse any immediate attention from the market. In other words, China Vanke has never made any prediction on the precise timing of the emergence of the market peak in 2007.

It is impossible to predict when the market peak and trough will occur because the market assumes individual-level decision-making. Each market participant has an attitude and judgment different from others and each determines his own actions, which may affect the market results in certain way. In an extreme case, the buyers and sellers determine the peak and trough respectively. However, it is impossible to predict on the extreme actions of an uncertain target.

On the other hand, the property industry has always been and will be closely related with the macro economic environment. Thus, the predictability of a short-term macro economic trend, to a great extent, determines the predictability of the property industry. As the global economy is going through extraordinary times and the short-term upheavals on the PRC's residential market may become extremely complicated, it is beyond a company's ability to make predications.

It appeared to be a pessimistic conclusion that enterprises could not precisely predict on short-term fluctuations. However, to an enterprise, ability to respond is more important than its ability to make predictions. An enterprise can and should remain familiar with the long-term development direction of the market and make timely judgment to market changes. From here, the enterprise can conduct analysis of all possible short-term changes that may occur in the future and formulate responsive plans accordingly, and take prompt action when the changes become apparent.

Penetrative vision and prudent action

Opinions and expectations may be too high for China Vanke's ability to make predications. This raised another question: Since China Vanke made an early warning on the overheated market in mid 2007, why did China Vanke still purchase certain land resources at high prices during the second half of 2007? Didn't China Vanke suit its actions to its words? Was China Vanke having any problems with its execution?

For many years, the property industry has been attracting much attention, and China Vanke has always been in the spotlight. This has enhanced the Company's influential power and ability to rally. Particularly when China Vanke entered new markets, this has facilitated rapid development of the Company's business. On the other hand, every action taken by China Vanke, including disclosing information, also came under close scrutiny.

China Vanke's acquisition of land in the second half of 2007 had attracted lots of media attention. However, not many people knew how many land lots the Company had given up to acquire. And people somewhat overlooked the fact that, as China Vanke's sales amount in 2007 had more than doubled, the amount of land resources purchased by the Company was less than that in 2006.

In 2007, increase in land price was significantly greater than that in the price of housing. The land price reached its historical high in the second half of 2007. In a situation like that, unless enterprises stopped purchasing land, they would be buying expensive land.

However, the decision to stop purchasing land was not easy. Land is different from other factors of production. It cannot be purchased from the market anytime you want. If an enterprise fails to purchase sufficient land in advance, it will face operation continuity challenges, not to mention development. China Vanke is one of the world's large-scale residential property developers who have their land reserves sufficient only to meet development needs in the nearest term. From 2004 onwards, China Vanke's year-end land reserves have been lower than the amount of land required for commencing construction in the following two years. To China Vanke, it would be an extreme decision to halt land purchases.

Making extreme decisions is a kind of daring but risky management approach. An act of extreme may bring glorious success, but on the other hand, it may lead to irreversible mistakes. As reflected by the Company's character, steady operation has always been pursued by China Vanke.We would rather give up the opportunities for great achievements than making irreversible mistakes. As early as 2005, when the market was still marked by doubt, China Vanke had already decided to set the upcoming three years as its rapid development stage. Although China Vanke's decision stood, it had never tried to go beyond its capacity and resources to pursue excessive expansion.

Prudent operation approach comes from deep-rooted reverence. From our point of view, there are many uncertainties in the world, but our cognitive abilities are limited. There are many but fleeting opportunities in the market, and enterprises must make timely decisions. However, at the same time, we have to realise our own reasoning limitations. We should have certain control of our self-confidence, especially when our perspective varies significantly with the market's.

Acute observation and clear perception are the two abilities we hope we can enhance continuously. However, if we let go of our prudent behaviour and self-control, the forgoing abilities may bring to the enterprise not only success and glorious achievements.

Principles and starting point

The industry adjustment happened in 2008 was not something to be afraid of; it was inevitable and necessary. What it brought along could be opportunities. But what one should take as a warning signal is the transient excessive prosperity that came before it. To certain extent, we should be grateful for the arrival of the current market adjustment.

The first opportunity brought forth by the adjustment is in fact the opportunity for us to calm down, reflect and improve ourselves.

When the industry is in a bull phase, it is easy for an enterprise to assume a laid-back attitude in pursuing professionalism and in its will to work hard. When it seems that any housing units can be sold like hot cakes, and when rise in housing prices becomes almost the synonym of "easy money", do we still persist in conducting research on customer needs, continuous improvement of products and service quality and price/performance ratio? Do we still try to do a careful budget, make the most reasonable allocation of costs, exercise reasonable control over expenses, in order to maximise shareholders' interests? Are we still trying our best to analyse the market and find the most effective sales channels and methods? -- The motivation for us to make deep reflections is exactly the most precious gift brought to us by the events in 2008.

No matter how difficult it was in 2008, and no matter how uncertain 2009 would be, there has been no radical change in the general trend of the industry development, and the basic logic of a commercial society will ever remain unchanged. This basic logic is the last reason for the existence of an enterprise, i.e. to create value for investors; the ultimate goal of business activity is to maximise utility of the society using minimal resources.

In 2009 and thereafter, we need to go back to the starting point of business logic, pay greater respect for market rules and pay more attention to customer needs. We need to uphold values in which we believe – simple, transparent, regulated and responsible. Whether it is to our staff or people outside the Company, we need to live up to the purpose on which the Company was founded – respect for people, and we need to pursue a deeper experience of a "healthy and rich" life.

Although the market is still undergoing adjustments, China Vanke will not slow down in the pace of exploring the subject of housing prefabrication. This is not only the inevitable direction of the development of the industry, but is also one of the important sources of core competitiveness of China Vanke in the future.

Only until we have accomplished all of the above, we can then keep creating more value for our shareholders.

Anxious and thankful

Everything that happened in 2008 was basically expected, and therefore there is no need to be panic or feel lost. But we cannot say that we have nothing to regret when we look back on 2008.

What we regret: Although we basically made a right judgement on the general trend of the industry, we could not completely get rid of the prevailing market attitude when the market was in a bull phase. In an environment that was too comfortable, various aspects of our operation demonstrated different levels of weakness, and our professional performance showed signs of deterioration. This has become one of the biggest challenges for China Vanke in 2009.

In 2008, China Vanke had been in business for 24 years, during which the Company had not only grown stronger, but also remained young at heart. Like a young enterprise, we find that we are yet to reach maturity after we have entered a new development stage; and like a young enterprise, we have the courage to accept criticism and failure.

China Vanke's motto for 2009 contains only two words: "Cipher" and "One". This motto can be interpreted as "With the birth of a new life for all things, a better tomorrow is coming". "Cipher" can mean the origin or the starting point. China Vanke will put its past success behind, and rectify its weakness. With an enterprising spirit, the Company will treat each day as a new starting point. The meaning of "One" can be extended to include hope and action. Thousand miles begin with the first step. Starting from now on, the Company will be down-to-earth and, together with its shareholders, make step-by-step progress to meet a better tomorrow.

II. 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 Company's Board of Directors: Shirley L. Xiao
   E-mail address: IR@vanke.com
   Securities affairs authorised representative: Liang Jie
   E-mail address: IR@vanke.com
4. Contact address: Vanke Architecture Research Centre, No 63 Meilin Road, Futian District, Shenzhen, the People's Republic of China
5. Telephone number: 0755-25606666
   Fax number: 0755-25531696
6. Registered company address: Vanke East Coast Buildings C02, Da Mei Sha, Yantian District, Shenzhen, the People's Republic of China
   Postal code: 518083
   Office address: Vanke Architecture Research Centre, No 63 Meilin Road, Futian District, Shenzhen, the People's Republic of China
   Postal code: 518049
7. Corporate 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 posting annual report: 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)

	2008	2007	2006(restated)
Revenue	38,619,214,077	33,486,560,759	16,904,430,653
Operating profit	8,844,809,759	9,848,471,908	4,141,671,432
Share of losses less profits of associates and jointly controlled entities	209,735,863	128,643,367	60,098,192
Profit before income tax	8,420,227,338	9,628,685,644	4,062,295,632
Taxation	-3,780,358,185	-4,311,184,826	-1,639,298,581
Profit for the year	4,639,869,153	5,317,500,818	2,422,997,051
Profit attributed to minority	-606,699,125	-473,265,324	-125,113,285
Profit attributed to Equity shareholders of the Company	4,033,170,028	4,844,235,494	2,297,883,766
Basic earnings per share	0.37	0.45	0.24
Diluted earnings per share	0.37	0.45	0.24
Dividend	0.05	0.10	0.15

Note:During the period under review, the Company implemented the proposal on the transfer of capital surplus reserve to share capital for the year 2007, pursuant to which six shares were transferred to shareholders for every 10 shares held. As a result the earnings per share for last year were diluted accordingly.

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

Items	Net profit for 2008
As determined pursuant to PRC accounting standards	4,033,170,028
As restated in conformity with IFRS	4,033,170,028

Note:There was no difference between the net profit attributable to equity shareholders of the Company prepared in accordance with IFRS and that prepared according to PRC Accounting Standards for the period from January to December 2008.

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 2008)

Class of Share	*Balance at the beginning of the year*		*Increase / decrease （+, - ）*		*Balance at the end of the year*	
	Quantity	Percentage of shareholding	Transfer of capital surplus reserve (note 1)	Others （note 2,3）	Quantity	Percentage of shareholding
I. Restricted Shares						
1. State-owned and State-owned legal person shares	165,000,000	2.40%	99,000,000	0	264,000,000	2.40%
2. Shares held by domestic legal persons						
3. Shares held by domestic natural persons	1,733,278	0.03%	898,663	23,405,157	26,037,098	0.24%
4. Shares held by foreign investors						
Total number of restricted shares	**166,733,278**	**2.43%**	**99,898,663**	**23,405,157**	**290,037,098**	**2.64%**
II. Non-restricted Shares						
1. RMB-denominated ordinary shares (A shares)	5,883,425,941	85.61%	3,530,196,868	-23,405,157	9,390,217,652	85.40%
2. Domestic listed foreign shares (B shares)	821,847,168	11.96%	493,108,300	0	1,314,955,468	11.96%

Total number of non-restricted shares	**6,705,273,109**	**97.57%**	**4,023,305,168**	**-23,405,157**	**10,705,173,120**	**97.36%**
III. Total Number of Shares	**6,872,006,387**	**100.00%**	**4,123,203,831**	**0**	**10,995,210,218**	**100.00%**

Notes: Details on the change in the Company's share capital are as follows:
(1) During the year under review, the Company implemented the proposal on the transfer of capital surplus reserve to share capital for the year 2007, pursuant to which 6 shares were transferred to shareholders for every 10 shares held; the total number of shares of the Company thus increased accordingly;
(2) During the year under review, 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 235,506 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;
(3) During the year under review, the procedure for transferring incentive shares into personal share accounts of the beneficiaries under the 2006 Restricted Stock Incentive Plan was completed and a total of 23,640,663 shares were transferred to members of senior management. The number of restricted tradable shares held by the Company's domestic natural persons increased and the number of non-restricted tradable shares decreased accordingly.

The 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	165,000,000	0	99,000,000	264,000,000	Private placing of restricted shares	2009-12-27
Wang Shi	980,882	235,506	5,674,291	6,419,667	Director	—
Yu Liang	207,837	0	3,787,562	3,995,399	Director, senior management	—
Ding Fuyuan	220,073	0	1,680,962	1,901,035	Member of Supervisory Committee	—
Sun Jianyi	324,486	0	194,691	519,177	Director	—
Liu Aiming	0	0	1,650,978	1,650,978	senior management	—
Ding Changfeng	0	0	1,487,660	1,487,660	senior management	—
Xie Dong	0	0	1,487,660	1,487,660	senior management	—
Zhang Jiwen	0	0	1,548,950	1,548,950	senior management	—
Mo Jun	0	0	1,548,950	1,548,950	senior management	—
Xu Hongge	0	0	1,650,978	1,650,978	senior management	—
Shirley L. Xiao	0	0	1,446,849	1,446,849	Director, senior management	—
Wang Wenjin	0	0	1,343,591	1,343,591	senior management	—
Zhang Li	0	0	1,036,204	1,036,204	Member of Supervisory Committee	—
Total	**166,733,278**	**235,506**	**123,539,326**	**290,037,098**	—	—

(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.

Private placing of A shares

Pursuant to the approval of the China Securities Regulatory Commission, the Company conducted a private placing of 400,000,000 A shares with 10 specific targets, including CRC, at an issued price of RMB10.5 per share on 13 December 2006, thereby raising total proceeds of RMB4.2 billion. The net proceeds, after the deduction of issue expenses, amounted to RMB4,196.7 million.

On 27 December 2006, the A shares issued for the private placing were listed on the Shenzhen Stock Exchange. In accordance with the relevant requirements of the "Administrative Rules for Securities Offerings of Listed Companies", the A shares issued for the private placing are subject to a lock-up period. The A shares placed with CRC are subjected to a lock-up period from 27 December 2006 to 26 December 2009; the shares placed with other investors were subject to a lock-up period from 27 December 2006 to 26 December 2007.

B. During the year under review, owing to the transfer of capital surplus reserve to share capital, there had been changes in the total number of the Company's shares and its share capital structure. Please refer to the notes to the table showing the "Change in the shares of the Company".

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 2008)

(1) Information on shareholders

Unit: share

Total number of shareholders	1,089,320（A shares: 1,056,521; B shares: 32,799）				
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 shareholder	14.73%	1,619,094,766	264,000,000	0
Liu Yuansheng	Other	1.22%	133,791,208	0	0
China Life Insurance Company Limited–Dividend Distribution–Individual Dividend-005L-FH002 Shen	Other	0.92%	101,392,428	0	0
Toyo Securities Asia Limited-A/C client	Foreign shareholder	0.91%	100,589,364	0	0
Bosera Third Industry Growth Stock Securities Investment Fund (博时第三产业成长股票证券投资基金)	Other	0.75%	82,090,335	0	0
Rongtong Shenzhen Stock Exchange 100 Index Securities Investment Fund	Other	0.74%	81,858,683	0	0
International Capital Corporation－HSBC－	Other	0.71%	77,698,142	0	0

JP Morgan Chase Bank, National Association					
E Fund Value Growth Mixed Securities Investment Fund (易方达价值成长混合型证券投资基金)	Other	0.69%	75,885,238	0	0
Bosera Value Growth #2 Securities Investment Fund (博时价值增长贰号证券投资基金)	Other	0.67%	74,000,000	0	0
China Life Insurance (Group) Company-Traditional-General Insurance Products	Other	0.67%	73,974,762	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	1,355,094,766	Ordinary RMB-denominated shares (A shares)
Liu Yuansheng	133,791,208	Ordinary RMB-denominated shares (A shares)
China Life Insurance Company Limited–Dividend Distribution–Individual Dividend-005L-FH002 Shen	101,392,428	Ordinary RMB-denominated shares (A shares)
Toyo Securities Asia Limited-A/C client	100,589,364	Domestic listed foreign shares (B shares)
Bosera Third Industry Growth Stock Securities Investment Fund	82,090,335	Ordinary RMB-denominated shares (A shares)
Rongtong Shenzhen Stock Exchange 100 Index Securities Investment Fund	81,858,683	Ordinary RMB-denominated shares (A shares)
International Capital Corporation－HSBC－JP Morgan Chase Bank, National Association	77,698,142	Ordinary RMB-denominated shares (A shares)
E Fund Value Growth Mixed Securities Investment Fund	75,885,238	Ordinary RMB-denominated shares (A shares)）
Bosera Value Growth #2 Securities Investment Fund	74,000,000	Ordinary RMB-denominated shares (A shares)
China Life Insurance (Group) Company-Traditional-General Insurance Products	73,974,762	Ordinary RMB-denominated shares (A shares)
Remarks on the connected relationship or action in concert of the aforementioned shareholders	China Life Insurance (Group) Company-Traditional-General Insurance Products is managed by China Life Insurance (Group) Company, controlling shareholder of China Life Insurance Company Limited which manages China Life Insurance Company Limited–Dividend Distribution–Individual Dividend-005L-FH002 Shen. Bosera Third Industry Growth Stock Securities Investment Fund and Bosera Value Growth #2 Securities Investment Fund are funds managed by Bosera Asset Management. Apart from the above-mentioned ralationships, it is not known as to whether there are other connections or be the action-in-concert people specified in Administration of the Takeover of Listed Companies Procedures among the above-mentioned shareholders.	

Note: As at the end of the year under review, China Vanke A shares held by the 2007 incentive fund under Phase One of the Restricted Stock Incentive Plan and the advanced appropriation for the 2008 incentive fund amounted to 46,341,761 shares, and 60,925,820 shares respectively. The total number of China Vanke A shares held by the two independent incentive funds was 107,267,581, representing 0.98 per cent of the Company's total number of shares at the end of the year under review and exceeding the percentage of shareholding of the third largest shareholder of the Company at the end of the year under review. Pursuant to the requirements of Phase One of the Incentive Plan of China Vanke, "the stock incentive plan of each year is an individual trust plan and the shares purchased by the incentive fund appropriated according to the plan of a given year are maintained by an individual share account." As such, the incentive plans of different years are independent from each other. There will also be certain changes in the target beneficiaries in different years, and the aforementioned incentive shares do not carry voting rights before being transferred to the personal accounts of the beneficiaries. In addition, the implementation of the plan is subject to the operating results and share prices of the year in which the incentive plan takes place.

(2) Number of shares held by the top 10 shareholders of restricted shares and the conditions of selling restrictions

Serial 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	CRC	264,000,000	2009-12-27	264,000,000	Note

Note: The lock-up period of the shares subscribed by CRC during the private placing of the Company's A shares in 2006 is from 27 December 2006 to 26 December 2009.

(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.

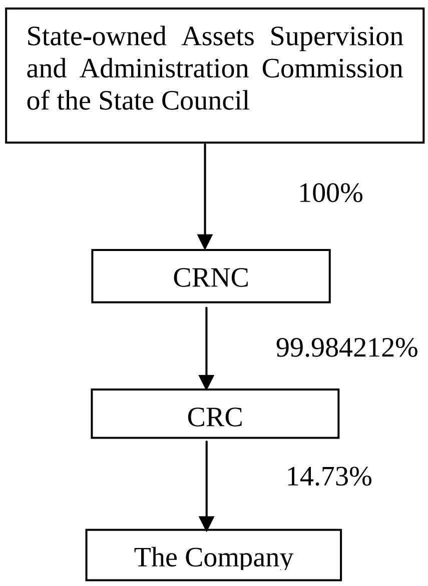
(4) The single largest shareholder

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., 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 Wai North Avenue, Dongcheng District of 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 2008)

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

No.	Bondholder	No. of bonds held	Percentage
1	New China Life Insurance Company–Dividend Distribution–Individual Dividend-018L-FH002 Shen	5,982,661	19.94%
2	China Pacific Life Insurance Company Limited–Traditional–General Insurance Product	2,741,509	9.14%
3	China Ping An Life Insurance Company Limited – Traditional – General Insurance Products	2,218,727	7.40%
4	China Life Property and Casualty Insurance Company Limited–Traditional–General Insurance Products	1,820,000	6.07%
5	China Life Insurance Company Limited	1,770,000	5.90%
6	China Life Pension Company Limited–Internal Resources	1,000,000	3.33%
7	Ping An Property and Casualty Insurance Company of China–Investment-oriented Insurance Products	999,995	3.33%
8	China Southern Power Grid Enterprises Pension Scheme–Industrial and Commercial Bank of China	642,000	2.14%
9	China–Africa Development Fund	589,474	1.96%
10	Shanghai's Corporate Annuities Transition Plan by Changjiang Pension Insurance Company Limited–Bank of Communications	585,871	1.95%

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", and China Life Property and Casualty Insurance Company Limited, which manages "China Life Property and Casualty Insurance Company Limited–Traditional–General Insurance Products", are subsidiaries of China Life Insurance Company Limited. Apart from the above-mentioned ralationships, it is not known as to whether there are other connections 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
1	Citic Securities Company Limited	3,356,319	11.57%
2	Guangfa Jufeng Stock Securities Investment Fund	2,083,451	7.18%
3	ICBC/Credit Suisse Tianli Bond Securities Investment Fund	1,596,989	5.51%
4	Fullgoal Tianfeng Surging Income Bond Fund	1,463,997	5.05%
5	Haitong Securities Company Limited	1,062,525	3.66%
6	ChinaAMC Bonus Mixed Open-end Securities Investment Fund	999,198	3.45%
7	Jianxin Stable Profit Increase Bond Securities Investment Fund	944,675	3.26%
8	Zhongrong International Trust Company Limited–No. 2 Double Selection	855,537	2.95%
9	Bosera Stable Value Bond Investment Fund	800,000	2.76%
10	ChinaAMC Renaissance Stock Securities Investment Fund	742,401	2.56%

Note: ChinaAMC Bonus Mixed Open-end Securities Investment Fund and ChinaAMC Renaissance Stock Securities Investment Fund are managed by China Asset Management Company Limited. Citic Securities Company Limited is the controlling shareholder of China Asset Management Company Limited. Apart from the above-mentioned ralationships, it is not known as to whether there are other connections 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, Guangzhou Foreign Trade and Economic Cooperation Committee 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. The company was reorganised into China Vanke Co. Ltd., a shareholding company, in 1988, at which time Mr Wang became Chairman and General Manager. Mr Wang no longer acted as the General Manager with effect from 1999. At present, he is the Chairman of the Company.

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 CRHC in 1998. In 2000, he became Executive Director and Deputy General Manager of CRHC, 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 has been the Chairman of China Resources Land Limited (“CRL”) since 2006. At present, Mr Song is the Chairman of CRHC, Managing Director of CRC, the Chairman of China Resources Enterprise Limited, China Resources Power Holdings Company Limited, China Resources Land Limited and China Resources Microelectronics Limited, and an Independent Non-executive Director of Geely Automobile Holdings Limited. He has been the 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. 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. He was appointed the General Manager of Management Department of Ping An Insurance Company of China in 1990, Assistant to General Manager in 1991, Deputy General Manager in 1992, the Executive Deputy General Manager in 1994 and an Executive Director of the same company in 1995. He has been an Executive Director and Executive Deputy General Manager of Ping An Insurance Company of China, Limited since 1997. 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 Deputy Chairman, and Deputy Chief Executive Officer of Ping An Insurance (Group) Company of China, and Chairman of Ping An Bank Limited.. He also acted as 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, and the Chairman of Ping An Bank 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 CRHC in 1988, and the General Manager of Max Share Limited, a subsidiary of CRHC, in 1995. Mr Wang has been the Director and Assistant General Manager of CRHC since 2000. He has become Managing Director of CRL since 2001. He is a Director and Deputy General Manager of CRHC. 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 has also been the Secretary to the Board of Directors since 1995. 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 CRHC in 1990. He became the General Manager of the Finance Department of CRHC in 1999 and a Director of CRHC in 2000. Mr Jiang became a Director and Financial Controller of CRHC 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 CRHC, 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 Resources Logic Limited and China Asset (Holdings) 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. At present, he is the Deputy Managing Partner of Li, Tang, Chen & Co. Certified Public Accountants and the Institute of Chartered Secretaries and Administrators respectively. 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 was an Independent Non-executive Director and the chairman of the audit committee of Wanji Pharmaceutical Holdings Ltd. (currently known as Nubrands Group Holdings Limited) from 2002 to 2005. He has been an Independent Director of the Company, and the convener of the audit committee of the Board 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 with 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 of the Company and convener of the remuneration and nomination committee since 2008.

Charles Li, male, born in 1961. He graduated from the English Department 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. At present, Mr. Li is also an Independent Director of Shanghai Pudong Development Bank, and the routine Executive Director of the China Entrepreneurs Forum. He has become an Independent Director of the Company and convener of the investment and decision-making committee in 2008.

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 CRHC in 1993. He had been the Senior Manager of the Research Department of CRHC, 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 CRHC. He is currently the Director and Vice President of China WorldBest Group Co. Limited, Director of Sunjiu Medical & Pharmaceutical Co. Limited and the Vice President of China Resources Medications Group Limited. 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 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 was 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 has been the Deputy General Manager of the Company since 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 was Financial Controller the Supervisor of Finance in 2002. Since 2004 he has been the the Supervisor of Finance of the Company. He is currently an Executive Vice President of China Vanke.

(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 2008, there had been significant consolidation in the property market, and the Company’s results were affected. 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 12 directors, members of Supervisory Committee and seniors management who were employees of the Company was RMB17,812,000. 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, each received a remuneration amount of RMB160,000 (before tax). Director Sun Jianyi received a remuneration amount of RMB180,000 (before tax) for his role as independent director and director; Independent Directors David Li Ka Fai and Judy Tsui Lam Sin Lai each received independent director's remuneration of RMB260,000 (before tax); Independent Directors Qi Daqing and Charles Li each received independent director's remuneration of RMB200,000 (before tax); Mr Fang Ming, a member of the Supervisory Committee, received a remuneration of RMB160,000 (before tax). Mr Song Lin, Mr Wang Yin, Mr Jiang Wei and Mr Fang Ming also received salaries from CRHC, 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 2008	Number of shares held at the end of 2008	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	58	2008.4~	993,835	6,817,201	Implementation of the proposal on the transfer of capital surplus reserve to share capital and the completion of transferring of incentive stock of 2006 Stock Incentive Plan to beneficiaries' accounts	2,481	No
Yu Liang	Director, President	M	44	2001.2~	277,116	4,106,245		2,067	No
Ding Fuyuan	Chairman of Supervisory Committee	M	59	2007.4~	293,431	2,018,408		1,432	No
Song Lin	Deputy Chairman	M	46	2008.4~	0	0	-	160	Yes
Sun Jianyi	Director	M	56	2008.4~	432,648	692,236	Implementation of the proposal on the transfer of capital surplus reserve to share capital	180	No
Wang Yin	Director	M	53	2008.4~	0	0	-	160	Yes
Jiang Wei	Director	M	46	2008.4~	0	0	-	160	Yes
David Li Ka Fai	Independent Director	M	54	2008.4~	0	0	-	260	No
Judy Tsui Lam Sin Lai	Independent Director	F	54	2008.4~	0	0	-	260	No
Qi Daqing	Independent Director	M	45	2008.4~	0	0	-	200	No
Charles Li	Independent Director	M	48	2008.4~	0	0	-	200	No
Fang Ming	Member of Supervisory Committee	M	51	2007.4~	0	0	-	160	No
Zhang Li	Member of Supervisory Committee	M	50	2007.3~	0	1,036,204	Transfer of incentive stock of 2006 Stock Incentive Plan to beneficiaries' accounts	870	No
Liu Aiming	Executive Vice President	M	40	2002.12~	0	1,650,978		1,482	No

Ding Changfeng	Executive Vice President	M	39	2001.2~	0	1,487,660	completed	1,386	No
Xie Dong	Executive Vice President	M	44	2004.3~	0	1,487,660		1,366	No
Zhang Jiwen	Executive Vice President	M	42	2004.8~	0	1,548,950		1,396	No
Mo Jun	Executive Vice President	M	42	2004.10~	0	1,548,950		1,293	No
Xu Hongge	Executive Vice President	M	38	2005.7~	0	1,650,978		1,489	No
Shirley L Xiao	Director, Executive Vice President	F	45	2007.10~	0	1,446,849		1,294	No
Wang Wenjin	Executive Vice President	M	43	2007.10~	0	1,343,591		1,256	No
Total	-	-	-	-	1,997,030	26,835,910	-	19,552	-

(3) Change and Reasons for the Change in Directors, Members of the Supervisory Committee and Senior Management during the Year under Review

At the 2007 Annual General Meeting held on 23 April 2008, Mr Wang Shi, Mr Song Lin, Mr Yu Liang, Mr Sun Jianyi, Mr Wang Yin, Mr Jiang Wei and Ms Shirley L. Xiao were elected as Directors of the Company's Fifteenth Board of Directors, and Mr David Li Ka Fai, Ms Judy Tsui Lam Sin Lai, Mr Qi Daqing, Mr Charles Li were elected as Independent Directors of the Company's Fifteenth Board of Directors..

2. Number and Composition of Employees

As at 31 December 2008, there were 16,515 employees on the Company's payroll, representing an increase of 0.31 per cent from that of the previous year. The average age of the employees was 30.

Among the entire workforce, there were 3,342 employees engaged in the property development division, representing an increase of 8.93 per cent from the previous year. The average age of the staff working for this division was 32.3 and the average years of service were 4.3; in terms of education level, 0.51 per cent held doctoral degree, 16.40 per cent with master's degree, 66.40 per cent were graduates, 14.51 per cent with tertiary education and 2.18 per cent with education below tertiary level. Employees with university degree or above accounted for 83.31 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: 483 marketing and sales staff, accounting for 14.45 per cent and up by 4.09 per cent from the previous year; 1,637 professional technicians, accounting for 48.98 per cent and up by 1.87 per cent from the previous year; among the professional technicians, 957 were construction staff, accounting for 28.64 per cent, 350 were designers, accounting for 10.47 per cent and 204 were cost management staff, accounting for 6.10 per cent; there were 126 project development staff, accounting for 3.77 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 1222, accounting for 36.56 per cent and up by 22.57 per cent from the previous year.

There were 13,173 employees engaged in property management, down by 1.66 per cent from the previous year. The average age was 28 and the average years of service was 2.6. In terms of education level, 0.22 per cent held master's degree, 6.57 per cent were graduates, 11.58 per cent with tertiary education and 81.63 per cent with education below tertiary level. Employees with tertiary education or above accounted for 18.37 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 adheres to the requirements of the laws, regulations and the regulatory documents governing listed companies and continues to fine-tune its corporate legal person governance structure and the regulating of its operation.

In 2008, the Company continued to intensify effort to improve its corporate governance. Amendments were made to the "Rules governing the implementation of the Audit Committee" based on new requirements; "The administrative measures on information disclosure" had also been revised according to the latest disclosure regulations, and a new dedicated "Independent directors system" was formulated. The Company took further steps to strengthen self-assessment and inspection of internal control to push ahead with the development of internal control system. To further optimise its internal control system, the Company set up an audit department, which is under the direct supervision of the Board and reports to the audit committee. Such a move will increase the independency of control, supervision and evaluation of major activities..

Corporate governance is a long-term exercise and in the future, the Company will continue to adhere to the principle of "professionalism + regulation + transparency", and to adopt self-regulation practices to further enhance the Company's corporate governance standards.

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

The Company continued to persist in maintaining complete independence in business operation, staff, assets, organisation and finance from those of its single largest shareholder, CRC and its connected companies 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 2008, 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 improvement 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 Dongguan, Nanjing, Chengdu, Shenyang, 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 2008, 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	3	1	0	20	6	6
Judy Tsui Lam Sin Lai	4	4	0	0	19	0	0
Qi Daqing	3	2	1	0	10	4	3
Charles Li	3	1	2	0	10	1	1

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

The Company implemented a balanced scorecard as its major organisation performance management system. In accordance with the concept of a balanced scorecard, senior management's performance is evaluated in accordance with the achievement of annual business objectives based on the Company's medium to long term development strategic goals, and such business objectives include the operating results of the period under review and sustainability of the Company. The review covers different categories including the Company's financial position, customers, internal procedure, staff training and development. The Company has established objective benchmarks to measure the performance in each of the categories. 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 achievements as required by their performance with reference to the duties stipulated under their respective positions.

The promulgation of "Listed Companies' Stock Option Incentives Management Methods (Trial)" in 2006 provides a basis for the Company to fine-tune its incentive and control mechanism. By referring to the stock option incentive schemes implemented by other companies at home and abroad, and taking into account the Company's specific situation, the Company formulated Phase One (2006-2008) of The Restricted Stock Incentive Plan. The incentive plan started to operate following the approval of 18th Annual General Meeting in 2005.

The implementation of the restricted stock incentive plan establishes a control mechanism between the shareholders and management team that is built upon common interests, linking the interests of the

Company, shareholders and management team and further optimising the Company's corporate governance structure. The execution of the plan assists the Company in balancing its short-term and long-term objectives, stimulates continuity in value creation, helps the Company to attract and retain high-calibre talents; enhances the Company's competitiveness, and ensures the Company's long-term stable development.

VII. Summary of Shareholders' Meetings

1. The 2007 (20th) Annual General Meeting

The notice of 2007 Annual General Meeting ("AGM") was published in China Securities Journal, Securities Times, Shanghai Securities Journal and The Standard of Hong Kong on 3 April 2008. The last day for verifying the qualification of shareholders was 16 April 2008.

The AGM was held at 9:30 am on 23 April 2008 at Vanke Architecture Research Centre, No. 63 Meilin Road of Shenzhen. A total of 322 shareholders (proxies) attended the meeting, holding 2,768,050,627 shares, representing 40.28 per cent of the Company's total number of shares with voting rights. There were 212 shareholders (proxies) of A shares, holding 2,582,283,998 shares, representing 42.68 per cent of the Company's total number of A shares with voting rights. There were 110 shareholders (proxies) of B shares, holding 185,766,629 shares, representing 22.60 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 2007; (2) the audited financial statements and Auditors' Report for the year 2007; (3) the resolution regarding the proposal on profit appropriation and dividend distribution and transfer of capital surplus reserve to share capital for the year 2007; (4) the resolution regarding the appointment of auditors for the year 2008; (5) Report of the Supervisory Committee for 2007; (6) the resolution regarding the adjustment of the remuneration of the directors and members of the Supervisory Committee; (7) the resolution regarding the adjustment of the application of net proceeds from "Vanke CB 2" for the Shanghai Qibao 53# project.

Mr Wang Shi, Mr Song Lin, Mr Yu Liang, Mr Sun Jianyi, Mr Wang Yin, Mr Jiang Wei and Ms Shirley L. Xiao were elected as Directors for the 15th Board of the Company and Mr David Li Ka Fai, Ms Judy Tsui Lam Sin Lai, Mr Qi Daqing and Mr Charles Li were elected as Independent Directors of the 15th Board of the Company by way of cumulative voting at the AGM. The use of the corporate citizenship fund for specific projects development was also reported at the AGM.

The announcement of the resolutions of the AGM was published in China Securities Journal, Securities Times, Shanghai Securities Journal and The Standard of Hong Kong on 24 April 2008.

2. The First Special General Meeting of 2008

The notice of the First Special General Meeting of 2008 ("SGM") was published in China Securities Journal, Securities Times, Shanghai Securities Journal and The Standard of Hong Kong on 21 May 2008. The last day for verifying the qualification of shareholders was 29 May 2008.

The SGM was held at 9:30 am on 5 June 2008 at Vanke Architecture Research Centre, No.63 Meilin Road of Shenzhen.

A total of 209 shareholders (proxies) attended the meeting, holding 1,899,621,093 shares, representing 27.64 per cent of the Company's total number of shares with voting rights. There were 96 shareholders (proxies) of A shares, holding 1,675,665,032 shares, representing 27.70 per cent of the Company's total number of A shares with voting rights. There were 113 shareholders (proxies) of B shares, holding 223,956,061 shares, representing 27.25 per cent of the Company's total number of B shares with voting rights.

The SGM considered and approved the resolution regarding participation in resettlement and reconstruction works in the affected area following the Sichuan earthquake.

The announcement of the resolution of the SGM was published in China Securities Journal, Securities Times, Shanghai Securities Journal and The Standard of Hong Kong on 6 June 2008.

VIII.Directors' Report

1.Management Discussion and Analysis

Changes in market environment and management's opinion

In 2008, there was a drastic adjustment in the residential property market. Revealed from the data published by the National Bureau of Statistics, the sales area of residential properties in the various quarters of 2008 increased by -0.3%, -10.8%, -27.2% and -25.3% when compared with those of the corresponding periods last year respectively, while sales amount in the various quarters of 2008 increased by 5.2%, -4.9%, -33.9% and -26.0% from those of the same periods last year respectively. The adjustments showed signs of growing intensity. In 2008, the sales area and sales amount of commodity housing in the PRC dropped by 20.3% and 20.1% respectively, a phenomenon first seen in the industry in more than 10 years. The adjustments in the east and major cities were more significant. In the 14 cities to which China Vanke paid high regard, their sales area generally slumped by around 50%.

The deep adjustment occurred in the year under review was due to a rational adjustment in the industry following an excessive growth in 2007 as well as the influence from the global financial crisis.

The property industry has been closely related to the macro economy. The financial crisis, which originated from developed countries, has now extended its reach to the real economy and drastically altered people's confidence in economic prospects and expectations about future income in the short term. It remains uncertain as to how big the magnitude of this impact will be and how long it will last; and it remains uncertain as to how effective it will be for the series of measures taken by the various nations to confront the economic downturn and to restore confidence. Thus, China Vanke has indicated in the third quarterly report that the short-term residential market swings in the PRC may get extremely complicated, and it is beyond a company's ability to make predictions with such market conditions. The operation strategy of an enterprise can only be based on the fundamental business logic, that is, regardless of the highly uncertain short-term outlook, an enterprise should focus on solid and lasting market principles.

First, China Vanke believes that there is no fundamental change in the underlining factors that determine the industry's long-term outlook. As China Vanke stated in its previous regular reports, "in the short-run, it is unavoidable to cause certain market participants' suspicion and hesitation during the course of adjustment. The market needs time to reach a common consensus. There is the possibility of short-term over-adjustment; however, as long as the underlining factors that determine the industry's fundamentals remain positive, the adjustment should be a temporary phenomenon and should not change the development trend of the industry." Up till now, China Vanke has not swerved from this judgment.

Second, facing the highly uncertain market fluctuations, an enterprise should uphold the fundamental principle of "being responsive is more important than being able to make predictions". While ensuring safe operation is the top priority, the enterprise should enhance its market sensitivity and ability to achieve quick response, and formulate an effective and well thought-out proposal to tackle every possible market change as well as to take action promptly as the situation becomes clear.

During the year under review, the primary objective of the macro economic policy had been changed from anti-inflation and preventing economy from overheating to ensuring economic growth. Affected by a change in the overall economic environment and change in the supply and demand of the residential market, the adjustments made to the property industry also shifted from measures that had been introduced in succession in the past few years to curb excessive growth in the industry to prevention of a "hard-landing" of the market. Since the fourth quarter of 2008, the concerned government departments have been introducing a series of changes to the housing policy in the hope that the property industry can help stimulate healthy development of other related industries, thereby increasing the overall economic activity. These policies include: lowering the deed tax rate for individuals purchasing their first ordinary homes that are 90 sq m or smaller to 1%; adjusting the lower limit of the mortgage rate range offered by financial institutions to first-time home buyers purchasing ordinary homes for self-use or improving living standard to 0.7 times the benchmark lending rate; and adjusting the minimum down payment to 20%, etc. These measures lower the overall expenditures on purchasing residential housing for self-use, which will help those who want to purchase homes for self-use to realise their dream and ensure the market has a smooth transition. Following the promulgation of the policies, a number of companies responded positively by adopting more practical pricing strategies. The transaction volume in certain cities showed signs of rebound.

During the year under review, the central government promulgated 10 measures to boost domestic demand. The government proposed to step up its efforts to facilitate housing security development, which is an extension to the central idea of the 2007 housing security system agenda "No. 24 Document of the State Council regarding Opinions on solving the housing problem of urban low-income families". The housing security project is targeted at the low-income group with housing problem that is not addressed by the current commodity housing market. As the two major housing types in the property market, housing security and commodity housing have a complementary relationship. In the long run, the implementation of the housing security system will help build a harmonious society and facilitate healthy development of the property industry. In the short run, intensifying housing security development will help stabilise the economy, boost confidence in the macro economy. All this will provide a stimulus to the property industry.

Operating results and analysis

The Company's revenue and net profit for 2008 amounted to RMB38.62 billion and RMB4.03 billion respectively, representing a 15.3% increase and a 16.7% decrease from that of the previous year respectively. The reasons that revenue increased while net profit declined a,re listed below. The management had kept reviewing and reflecting on this situation during the past year, and will diligently deal with and improve the situation in the future development of the Company.

The Company's net profit in 2008 decreased by RMB811.07 million, when compared with that of 2007, which was basically the same as the impact from provision for diminution in value of inventory. During the year under review, there was significant adjustment in the market price for housing and land premium. Pursuant to prudent financial strategy, the Company made a provision for diminution in value of inventory of RMB1,230.56 million for 13 projects exposed to risks according to market conditions. After taking into account the deferred tax factor, the aforesaid provision for diminution in value of inventory will affect the net profit after tax by RMB922.92 million and the net profit attributable to the equity shareholders of the Company by RMB891.13 million for the year under review. Although the foregoing provision was made pursuant to prudent financial strategy, it partly reflected that the Company was paying a relatively high land premium for the above-mentioned projects it acquired.

Apart from the impact of provision for diminution in value of inventory, the Company's booked gross margin of 2008 decreased by 3.03 percentage points when compared with that of 2007. The average booked price in 2008 was basically the same as that of 2007, while per unit booked cost increased by RMB290, per unit land cost increased by RMB244, and other per unit costs increased by RMB46. Of the booked projects in 2008, the proportion of furbished units increased over 2007. As such, by merely referring to numbers, the increase of RMB46 in per unit costs excluding land premium was not significant. However, when considering the fact that ordinary housing as a percentage of the Company's booked projects in 2008 was higher than that in the past years, it still reflected that the Company had shortcomings in its cost management in a bull market.

During the year under review, the Company realised sales area and sales amount of 5.57 million sq m and RMB47.87 billion respectively, representing decreases of 9.2% and 8.6% from those of 2007 respectively. As at the end of 2008, the Company's share in China's residential property market was 2.34%, which slightly rose over that at the beginning of the year. In nine cities, including Shenzhen, Shanghai, Tianjin, Foshan, Xiamen, Shenyang, Wuhan, Zhenjiang and Anshan, China Vanke had the largest market share. In Hangzhou, Suzhou, Wuxi, Dongguan, and Zhuhai, the Company had the second largest market share, and the third largest market share in Zhongshan and Chengdu.

Geographically, the Company realised a sales area of 1.82 million sq m and a sales revenue of RMB17.62 billion in the Pearl River Delta region, accounting for 32.7% and 36.8% of the Company's total sales area and sales revenue respectively. In the Yangtze River Delta region, the Company realised a sales area of 1.736 million sq m and a sales revenue of RMB16.6 billion, representing 31.2% and 34.7% of the Company's total sales area and sales revenue respectively. The Company realised a sales area of 1.379 million sq m and a sales revenue of RMB9.75 billion in the Bohai-Rim region, which accounted for 24.8% and 20.4% of the Company's total sales area and sales revenue respectively. The other markets of the Company contributed a sales area of 636,000 sq m and a sales revenue of RMB3.9 billion, accounting for 11.4% and 8.1% of the Company's total sales area and sales revenue respectively.

The area sold in Shenzhen amounted to 417,000 sq m, mainly comprising The Dream Town, Shenzhen and The Village, Shenzhen. The sales area of the Shanghai Company amounted to 656,000 sq m which mainly comprised Charming Garden, Shanghai and Everest Town, Shanghai. In other cities, The Dream Town, Shenyang, Glamorous City, Suzhou and Waterfront, Tianjin all achieved satisfactory sales performance, with 146,000 sq m, 135,000 sq m and 131,000 sq m sold respectively during the year under review.

The Company's booked area and booked revenue amounted to 4.514 million sq m and RMB38.18 billion, representing increases of 14.6% and 15.2% from those of the previous year respectively. At the end of the report period, the Company had an area of 3.46 million sq m sold but not yet booked, which involved a contract amount of RMB27.34 billion.

Given the significant decline in the market transaction volume, and in order to match its launch plans with sales progress, maintain reasonable inventory level, as well as to provide itself with sufficient time to fine-tune its product mix in accordance with the mainstream demand of home purchasers at the time, the Company reduced the area for newly commenced construction and completed area during the interim period and third quarter of 2008 respectively. The Company adjusted its planned area for newly commenced construction for the full year from 8.48 million sq m at the beginning of the year to 5.7 million sq m for the year under review. The planned completed area was adjusted from 6.89 million sq m at the beginning of the year to 5.86 million sq m for the year under review. As at the end of the year under review, the Company's actual area of newly commenced construction was 5.233 million sq m, representing a 32.6% decrease from that of 2007 and a 38.3% decrease from the planned area of the beginning of the year; the Company's actual completed area amounted to 5.294 million sq m, representing a 18.9% increase from that of 2007 and a 23.2% decrease from the planned area of the beginning of the year. The Company's land development area was in line with its sales area for the full year.

Starting from its 2007 interim report, China Vanke slowed down its pace in acquiring projects. Due to market uncertainty, the Company continued to adopt a prudent approach in acquiring projects in 2008. During the year under review, the Company's total planned GFA of newly added projects in proportion to

China Vanke’s equity holding was 4.65 million sq m, which was lower than the areas of 9.34 million sq m acquired in 2007. 84.5% of the total planned GFA of newly added projects in proportion to China Vanke’s equity holding was secured through acquisition of companies or collaboration. The total land premium for the newly added projects for the full year was RMB13.61 billion. The average cost of land was approximately RMB2,003 per sq m, which was significantly lower than the land premium of 2007. As at the end of 2008, the GFA of the projects under planning in proportion to China Vanke’s equity holding amounted to 17.93 million sq m.

During the year under review, the Company acquired land resources in Wan’an and Jianghuai, Hefei, and Yu Garden Project (formerly known as Baosheng Project), Chongqing, as well as New City Project, Xi’an through collaboration; the Company entered new cities including Hefei, Chongqing and Xi’an.

As at the end of the year, the Company’s resources that could be booked in the future included RMB7.89 billion of completed properties, accounting for 9.1%; RMB34.13 billion of planned development products (corresponding to the Company’s projects under planning), accounting for 39.5%; RMB44.34 billion of products under development (including products under development but not sold and products sold but not yet boooked), accounting for 51.3%;.

As at the end of the year under review, the cash and cash equivalents held by the Company amounted to RMB19.98 billion, representing an increase of 17.2% when compared to that at the beginning of the year. The net gearing ratio was 33.1%, representing an increase of 9.7 percentage points when compared to that at the beginning of the year, and a decrease of 4.1 percentage point when compared with that at the end of the interim period. The aggregate amount of the Company’s short-term borrowings and long-term borrowings due within one year was RMB17.87 billion. Against a credit crunch in the industry, the Company’s financial position remained sound. In addition, the Company insisted on a stable 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. In September, the Company successfully issued RMB5.9 billion corporate bonds, which further strengthened its financial capacity.

Review on the Company’s management in 2008

During the year under review, as the transaction volume in the residential property market plunged sharply, while the market became increasingly complicated and uncertain, the Company believed that it should not pursue short-term growth in size during the adjustment period, but rather focus on ensuring steady and healthy operation. As such, the Company persisted with the “Cash is king” strategy, by adopting various strategies to boost sales and adjusting the pace of development of new projects in accordance with sales progress.

In 2008, China Vanke set sales promotion, clearing inventory, and optimising operation as its priorities in response to the sharp decline in the transaction volume in the PRC’s property market. The Company requested all frontline companies to return to fundamental business logic, to carry out their work with a market and customer focus, to augment the quality of products and services. The Company put forth the principle that “management to focus on serving frontline operations”, thereby enhancing its support to frontline companies. The headquarters organised and coordinated the building of a system for passing on internal knowledge and a platform for learning exchanges, to facilitate the sharing of professional knowledge and experience between companies in different cities.

During the year under review, the Company established and fine-tuned the market monitoring system in major cities to continuously keep track of and understand the market information in major cities of the PRC. In order to better grasp customer demand characteristics and market trends, the Company classified in detail the products sold each month by layouts, requirements and payment method. In view of the fact that self-use demand became the mainstream demand during the adjustment period, lower priced, small to medium sized housing units were most readily accepted by the market. As such, the Company increased the supply of the corresponding type of products. Among the units sold by China Vanke in 2008, first time buyers and buyers with demand for improving living standard accounted for more than 80%, and sales of units with area less than 90 sq m accounted for nearly 50% of total sales.

During the year under review, according to its development strategy, the Company intensified its research and application of housing prefabrication. Prefabricated housing with newly commenced construction during the year included New City Garden, Golden City, Wonderland Shanghai, The Village Shenzhen and Holiday Town Beijing. These projects were in Shanghai, Shenzhen and Beijing, with an area of newly commenced construction of over 600,000 sq m.

During the year under review, "Wanhui Building" project, which was sponsored by China Vanke and was ready for occupation in the middle of 2008, was named as "A pilot housing project funded by Guangdong enterprise for lease to low income group" by Guangdong Construction Department. As an attempt to explore solutions to residential housing for low to middle income family group, "Wanhui Building" gained wide recognition from society, and received the "Special Award for Residential Architecture" of China Architecture Media Awards.

During the year under review, supported by shareholders, China Vanke approved the resolution regarding setting a budget of net expenses not exceeding RMB100 million to participate in the resettlement and reconstruction works in the affected area following the Sichuan earthquake. On 31 December, a dedication ceremony for the main school building and hospital complex located in Zundaozhen, Mianzhu City, Sichuan was held in Zundaozhen of Sichuan. The main school building and hospital complex, which were wholly funded by the Company, were among the first permanent public buildings funded by enterprises after the earthquake.

During the year under review, State Administration of Taxation announced the PRC Enterprises Tax Payment Ranking of 2007. China Vanke ranked number 49 with a total tax payment of RMB5.31 billion in the "Top 500 China Enterprises Tax Payment Ranking" list, and ranked number One in the "Top 10 China Enterprises Tax Payment Ranking – Real Estate Industry" list, thereby becoming the biggest top taxpayer in the PRC's property industry.

During the year under review, the Company was named "The Most Respected Enterprise in the PRC" jointly organised by The Economic Observer Newspaper and the Management Case Study Center of Peking University for the sixth consecutive year. China Vanke was the only property company named among the "Ten Most Respected PRC Enterprises" by The Wall Street Journal (Asia). In the research report of "Enterprise Research on the Top 100 PRC Property Companies in 2008" co-published by the Enterprise Research Institute of Development Research Centre of the State Council, Institute of Real Estate Studies of Tsinghua University and China Index Research Institute, China Vanke ranked first overall among property companies. In Forbes's "The Best of Asia-Pacific's Biggest Listed Companies" (The Asian Fab 50) and "The Annual Best Business Leaders" selection, China Vanke was named in "The Asian Fab 50" list. The Company was also being named in the "2008 Financial Times Global 500" list for the first time by the UK's Financial Times.

After three of its projects received Gold Awards in 2007, four projects namely Zhongshan City Scenery, Tianjin Waterfront, Beijing Xi Garden and Chengdu Glamorous City received the "Golden Prize of Excellent Residential Development of Zhan Tianyou Award" in 2008. The Zhongshan City Scenery project received the prestigious "Zhan Tianyou Civil Engineering Award" and became the third project of China Vanke to receive such an honour. In the Second BusinessWeek/Architectural Record China Awards jointly organised by US's magazines "BusinessWeek" and "Architectural Record", China Vanke won the "Best

Client" award, and Vanke Experience Centre was named as the "Best Interior Project", while Liangzhu Culture Museum won the "Best Public Projects" award. Vanke Tangyue project, which aims at environmental protection and cultural heritage, received the "Global Human Settlements Best Model Community Award" at the "2008 Global Human Settlements Best Model Forum". In the First Guangsha Awards selection, which was approved by the Ministry of Housing and Urban-Rural Development of the PRC ("MOHURD"), and jointly announced by China Real Estate Association and The Center for Housing Industrialization of the MOHURD, China Vanke had six projects received awards, making the Company the biggest winner. The projects received awards included Xishan Tingyuan Beijing, Vanke Upper East Side Changchun, Spring Dew Mansion Shanghai, Nandu Jiangbin Garden Zhejiang, City Garden Wuhan (Phase I and II) and City Garden Guangzhou.

Among the "2008 China Quality Awards" given out by China Association for Quality, China Vanke's Shanghai Company was the only representative of the service industry to obtain this award, thereby becoming the first property company to receive this honour.

The Company's dedication to energy-saving and environmental protection gained much recognition. During the year, the Dream Town, Phase IV of Shenzhen Company was named as 2007 China Building Energy Saving Year Exemplar Project, organised by Science and Technology Promotion Center of MOHURD. China Vanke was also the only property company to receive the "2007 China Green Benchmarking Company" award at the first "Annual Summit of Green Companies in China" jointly organised by China Entrepreneur magazine, China Entrepreneurs Club and the Climate Group.

Facing the drastic change in operating environment during the year under review, the Company strengthened its communication and exchanges with investors through regular presentations, online road show, paying visits to institutional investors and receiving investor visits. During the year under review, the Company received the "100 Companies with Best Investor Relations Management" award, the event of which was supervised by both the Shanghai Stock Exchange and Shenzhen Stock Exchange, and jointly organised by the China Investor Relations Research Centre etc, China Securities Journal, the Nanjing University and Yizhongtongda Finance Communications, for the fourth consecutive year. China Vanke received again the "Gold Bull Award for the Top 100 China Listed Companies" and "Built to Last Award – special award to the Top 100" in the "2008 Best Investor Relations of Listed Company" selection co-organised by Hexun.com and Stock Exchange Executive Council.

Future development prospects

Since the end of 2008, the government, based on the premise of stimulating the overall economy, has been introducing measures aimed at lowering the burden of buying houses on people, while encouraging housing sales. Many property developers responded to this market trend and adjustment with a more rational attitude and promote sales actively. Statistics revealed that the adjustment in the commodity housing transactions in the eastern part of the PRC in the fourth quarter had slowed down when compared with that of the previous period. In Shenzhen, where adjustments were first felt, the transaction volume of the residential market recently showed signs of significant rebound. In view of the macro economic trend and uncertainties in the residential market, whether or not this trend will continue requires further observation. To enterprises, the most effective approach in response to market fluctuations is to return to the fundamental business logic and to return to the starting point of the market and customers.

In 2009, on the one hand, the Company will strive to facilitate growth in results, while ensuring healthy operation; on the other hand, the Company will review on its shortcomings as revealed under a bull market condition, and make the best effort to enhance its professionalism and organisational efficiency, as well as to promote technical innovation, thereby laying the foundation for long-term development.

One of the major directions of the Company's development strategy in 2009 is to improve China Vanke product's competitiveness. Product's competitiveness encompasses the various core business capabilities involved in the process of development, including identifying prospective customers, product design, marketing, project quality, and cost management.

The Company will make use of the customer satisfaction survey, market research, property management and online complaint system to adjust and optimise its existing product classification and customer segmentation. The focus on customer research is not limited to understanding customer's current needs, but rather exploring customer's future and potential needs. This will ensure that the Company's customer research capability is maintained at a leading level, and that the Company's customer identification is highly innovative and forward-looking.

Product design is the Company's traditional advantage. In 2009, the Company will maintain and enhance this advantage through design innovation, standardisation, prefabrication, turnkey furnishings and technology research.

Along with growing diversification in lifestyle and society, traditional practice and media should also see a change in the choice of selection. The Company believes that expensive traditional way of marketing does not meet today's needs. The mode of marketing needs to change. In 2009, the Company will conduct extensive research on lifestyle, work conditions, family composition, social circles, and even consumption habit of target customers, to find the right marketing channel, in order to reduce marketing cost while improving effectiveness.

Continued improvement of project quality relies on pragmatic culture in quality control. In 2009, the Company requires its project control system to swift its focus from institutions, workflow and regulation to on-site management and quality control. The Company will fine-tune its on-site management duties, roles of supervisory companies and composition of project management team.

Housing prices in 2008 in major cities generally declined. Much of the resources booked in 2009 came from the sales achieved in 2008. It is expected that there could be a significant decrease in the gross margin of the housing industry in 2009. Against a backdrop of low gross margin, cost management becomes more important than ever. In 2009, the Company will step up its effort to optimise its cost control. First and foremost is to conduct continued review on each process of development. Through horizontal comparison within the Group, the Company will be able to lower some of the excessive high costs to a reasonable level; and through comparing its costs with those of other companies in the industry with similar size and brand equity, the Company will be able to create a motivate to further improve its cost control. Since a wide range of products and processes are used in projects across different cities, the Company, in order to facilitate management and conduct cost evaluation, will regulate through a standardisation approach. Based on this, the Company will determine the selection of products and process standard that are most economical and establish a group purchase system, in order to maximise the benefits of economies of scale. With respect to furbished units, the Company will ensure a more reasonable cost of furnishing in response to the problem of inconsistency between the standard of furnishing and the price of project that exists in certain projects. To do this, the Company will set benchmarks such as furnishing cost/sales rate. Given that there was a relatively large gap in time between cost input and final settlement, the results of the efforts made will only be better reflected in the next two or three years.

In 2009, the Company will strengthen its control over expenses for the period to enhance operational efficiency. With respect to administrative expenses, we have adopted measures that can increase productivity and simplify management. These measures include implementation of stringent control of expense budget and strict execution and supervision of information feedback. On the front of sales management, the Company has started to strengthen market and customers research, and optimise its advertisement costs and sales channels, in order to further lower sales expenses. The Company aims at lowering its administrative expenses as a percentage of booked revenue and operational expenses as a percentage of booked revenue in 2009 by 20% when compared with that of 2008. Regarding financial management, the Company will lower financial expenses and capitalised interest through enhancing capital usage efficiency and the selection of source of funding.

With respect to project acquisition, the Company will remain cautious, while timely capturing the opportunities arising from industry consolidation. To ensure that land reserves will meet its development requirements in the future, the Company will acquire premium but low-cost land resources through merger and acquisition and cooperation. The Company will further fine-tune its investment management system, consolidating the investment analysis tools and methods, which will take into account returns and risks, in order to practically enhance investment quality.

On the front of development, the Company will insist on matching its pace of development with its sales progress, and product type with market demand. It will also insist on building inventory based on sales, strengthening the management of newly commenced construction of projects and newly launched projects, to ensure products are selling at an appropriate pace. The planned area for newly commenced construction for 2009 will be approximately 4.03 million sq m, representing approximately 23% decrease from the actual area achieved in 2008. The planned completed area for 2009 will be approximately 6.19 million sq m, representing approximately 17% increase from that of 2008. In view of market uncertainties in 2009, the Company currently has sufficient resources available for sale. With respect to project development, the Company insists that a prudent approach will help enhance the Company's security and flexibility amid industry consolidation. The Company will also adjust its pace of development according to changes in market conditions, so that the Company can increase the area for newly commenced construction any time the market sales show signs of recovery.

As an important part of China Vanke's future competitive advantage, prefabrication technology will be actively studied and developed and implemented by China Vanke in 2009. The Company will actively push ahead with the research and application of prefabrication and energy saving by selecting appropriate projects based on standardised products.

The Company will further fine-tune its managerial system that will match the current size of the Company, in order to improve management efficiency. The Company will adopt a "Streamlined management and a strong workforce" approach, simplying the levels of management by reducing management staff, while strengthening performance orientation. Besides, the Company will set up Wanchuang Design Management Centre at the headquarters based on Wanchuang Architecture and Design Consultancy Co. Ltd. in Shenzhen, to strengthen headquarters' capability of professional management.

The industry will continue to face credit crunch in 2009. While the market adjustment brought along with it challenges, it has also created the opportunities for enterprises to obtain relatively price competitive and quality resources for future development. As such, the Company will further expand its source of funding, and will consider equity financing if conditions allow. As mentioned before, the Company remains highly cautious about this issue and will take full account of the level of acceptance by the capital market and investors. Equity financing will be put on the agenda only when it gains wide recognition from shareholders in general. In addition, the Company will also consider the timing, scope and method of financing, so as to avoid causing any great negative impact on the security market, while ensuring the financing exercise will lead to profit growth.

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 2008, the Company's sales area and sales revenue were 5,570,000 sq m, and RMB47.87 billion respectively, representing decreases of 9.2% and 8.6% respectively when compared with those of 2007 .

In 2008, the total sales of commodity housing in the PRC amounted to RMB2,042.406 billion. Based on the aforesaid amount, the Company accounted for 2.34% of the domestic market share in terms of sales revenue, up by 0.27 percentage point from the previous year.

During the year under review, the booked area, booked revenue and booked cost of the Company's property projects were 4,514,000 sq m, RMB38.18 billion and RMB25.95 billion respectively, representing increases of 14.6%, 15.2% and 26.8% respectively when compared with those of the previous year. The operating profit margin of the property business for the year was approximately 32.0%, decreased by 6.25 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	38,181,696.19	15.18%	25,947,411.63	26.84%	32.04%	Down by 6.25percentage points
Property Management and Others	437,517.89	30.21%	351,790.01	47.51%	19.59%	Down by 9.43 percentage points
Total	38,619,214.08	15.33%	26,299,201.64	27.07%	31.90%	Down by 6.30 percentage points

B. By investment region

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 2008, core cities such as Shenzhen, Guangzhou, Shanghai, Beijing and Tianjin accounted for 53.4% and 57.7% of revenue and net profit respectively.

	Revenue (RMB'000)	%	Net Profit (RMB'000)	%	Booked Area (000 Sqm)	%
Pearl River Delta Region						
Shenzhen	5,505,624.93	14.42	86,861.27	19.94	367.90	8.15
Guangzhou	3,756,317.77	9.84	47,561.32	10.92	381.30	8.45
Dongguan	1,305,281.77	3.42	16,833.77	3.86	166.00	3.68
Zhuhai	571,324.40	1.50	14,331.14	3.29	43.30	0.96
Zhongshan	300,431.06	0.79	4,416.33	1.01	68.20	1.51
Foshan	2,183,350.97	5.72	45,248.79	10.39	289.70	6.42
Changsha	334,723.94	0.88	5,609.89	1.29	54.50	1.21
Xiamen	335,299.96	0.88	7,758.30	1.78	25.80	0.57
Sub-total	**14,292,354.80**	**37.43**	**228,620.81**	52.48	**1,396.70**	**30.95**
Yangtze River Delta Region						
Shanghai	4,845,560.43	12.69	55,581.57	12.76	398.20	8.82
Suzhou	1,732,977.68	4.54	20,218.29	4.64	157.00	3.48
Hangzhou	1,750,509.15	4.58	23,372.60	5.37	198.10	4.39
Nanjing	876,274.41	2.30	(14,689.70)	-3.37	103.70	2.30
Nanchang	284,420.29	0.74	2,957.91	0.68	62.60	1.39
Ningbo	914,397.17	2.39	14,250.77	3.27	78.60	1.74
Zhengjiang	289,667.75	0.76	(34.21)	-0.01	78.60	1.74

Wixi	1,419,254.66	3.72	5,352.19	1.23	256.40	5.68
Sub-total	**12,113,061.54**	**31.72**	**107,009.42**	24.57	**1,333.20**	**29.54**
Bohai-rim Region						
Beijing	3,097,770.84	8.11	31,174.61	7.15	338.50	7.50
Tianjin	3,174,812.99	8.32	30,165.09	6.93	407.10	9.02
Shenyang	1,994,674.96	5.22	30,225.81	6.94	351.80	7.79
Dalian	452,710.95	1.19	1,328.85	0.31	64.40	1.43
Qingdao	174,395.19	0.46	(433.87)	-0.10	30.70	0.68
Changchun	251,437.15	0.66	2,470.44	0.57	51.10	1.13
Sub-total	**9,145,802.08**	**23.96**	**94,930.93**	21.80	**1,243.60**	**27.55**
Others						
Chengdu	890,064.34	2.33	(24,428.38)	-5.61	208.60	4.61
Wuhan	1,740,413.43	4.56	29,458.48	6.76	331.70	7.35
Sub-total	**2,630,477.77**	**6.89**	**5,030.10**	1.15	**540.30**	**11.96**
Total	**38,181,696.19**	**100.00**	**435,591.26**	100.00	**4,513.80**	**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 2008	Net profit attributable to China Vanke in 2008	Total assets at the end of 2008	Major Project developed in 2008
Shenzhen Vanke Real Estate Company Limited	100%	5,035,825.29	1,222,797.97	13,426,349.80	East Coast, The DreamTown
Guangzhou Vanke Real Estate Company Limited	100%	2,803,473.56	266,016.80	8,979,754.98	The Paradiso, Hillside Garden
Dongguan Vanke Real Estate Company Limited	100%	1,334,693.50	192,303.71	6,758,767.81	Green View, The DreamTown
Foshan Vanke Property Company Limited	100%	2,183,350.99	603,626.71	3,889,197.22	Golden Home, Palace
Shanghai Vanke Investment Company Limited	100%	5,468,246.51	587,859.63	24,844,455.03	Wonderland, Rancho Santa Fe
Zhejiang Vanke Nandu Real Estate Company Limited	100%	1,750,509.14	309,038.52	8,874,066.57	A Glamorous City, Liangzhu
Beijing Vanke Property Limited	100%	2,866,604.25	446,569.64	5,895,611.29	Holiday Town, Wonderland
Tianjin Vanke Real Estate Company Limited	100%	3,174,813.00	415,296.25	8,123,903.43	Waterfront, Golden Home
Shenyang Vanke Real Estate Development Company Limited	100%	1,560,525.08	202,196.50	3,627,073.93	Wonderland, A Glamorous City

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

(3) Implementation of the business plan

In 2008, there was significant adjustment in the property industry. The sales area and sales amount of housing in the PRC for the full year decreased by 20.3% and 20.1% respectively when compared with those of the previous year respectively. The Company actively responded to the changes. In 2008, the Company’s sales area and sales revenue amounted to 5,570,000 sq m and RMB47.87 billion respectively, and the Company's share of the PRC's residential market rose further to reach 2.34%.

The Company's planned area for newly commenced construction and completed area at the beginning of the year was 8.48 million sq m and 6.89 million sq m respectively. In response to market changes and to better adapt to the market conditions, the Company announced in its 2008 interim report that it would adjust its plan for newly commenced construction and completed construction for the full year. The area for newly commenced construction and completed area was reduced to 6.83 million sq m and 5.86 million sq m respectively. Thus, the Company was in a better position to match its construction plan with sales progress and had more cash in hand to capture future market opportunities.

The market adjustment intensified in the second half of the 2008 and the operating environment became more complicated. In its 2008 third quarterly report, the Company announced that it would further lower the area for newly commenced construction to 5.7 million sq m.

In 2008, the Company's actual area for newly commenced construction and completed area amounted to 5,233,000 sq m and 5,294,000 sq m respectively.

The Group's Major Projects in 2008 (Unit: sq m)

Project Name	Location	Equity Interest	Site Area	Planned GFA	Area to be newly constructed in 2008	Area completed in 2008	Accumulated area completed
Pearl River Delta Region							
The Dream Town, Shenzhen	Longgang	100%	513,018	529,170	0	89,047	529,170
The Village, Shenzhen	Longgang	100%	472,011	646,930	229,714	25,229	237,485
East Coast, Shenzhen	Yantian	100%	342,984	265,864	0	18,722	234,857
Vanke Centre, Shenzhen	Yantian	100%	61,730	80,201	0	0	0
Ravine Village,Shenzhen	Baoan	60%	158,639	47,270	0	0	0
Dajia Island, Shenzhen	Huizhou	100%	364,450	234,975	0	0	0
Eastern Metropolis, Shenzhen	Longgang	100%	104,801	315,808	0	41,032	41,032
Rancho Santa Fe, Shenzhen	Baoan	55%	72,499	43,499	43,499	0	0
Huayu Project, Shenzhen	Longgang	90%	62,474	96,969	0	0	0
Jiuzhou Project, Shenzhen	Longgang	90%	236,330	513,012	0	0	0
Qianlin Shanju, Shenzhen	Longgang	100%	198,597	361,753	108,930	20,603	20,603
King Metropolis, Shenzhen	Baoan	100%	68,310	195,000	114,429	0	0
The Paradiso, Huizhou	Huicheng	55%	151,298	327,550	31,573	0	0
East Holy Valley, Shenzhen	Luohu	100%	109,560	336,509	0	119,029	336,509

Wanxuan International, Shenzhen	Futian	90%	5,438	60,088	0	0	60,088
Tianqin Bay, Shenzhen	Yantian	90%	253,990	24,785	690	0	1,105
Water Cities, Dongguan	Tangxia	51%	596,786	412,504	103,667	0	0
Airport Project, Shenzhen	Baoan	100%	72,410	161,856	0	0	0
Shuangyuewan, Huizhou	Huidong	67%	360,000	360,000	0	0	0
Sea House, Haikou	Haikou	100%	115,503	57,728	0	0	0
Wonderland, Foshan	Nanhai	100%	533,955	557,294	0	94,904	557,294
The Dream Town, Guangzhou	Luogang	100%	222,000	156,742	0	87,781	156,742
Tian Jing Garden, Guangzhou	Baiyun	100%	61,324	143,979	0	75,422	75,422
The Paradiso, Guangzhou	Baiyun	50%	144,657	433,584	134,490	66,214	66,214
Hillside Garden, Guangzhou	Baiyun	50%	94,745	142,542	0	64,567	64,567
Golden Home, Guangzhou	Yuexiu	100%	7,716	34,987	0	34,987	34,987
Golden Kangyuan, Guangzhou	Liwan	100%	6,576	58,431	0	0	0
Golden Liyuan, Guangzhou	Liwan	100%	5,734	40,558	0	0	0
Everest Town, Guangzhou	Luogang	100%	88,105	175,971	17,036	0	0
Golden Jiangwan, Guangzhou	Haizhu	100%	9,629	58,624	58,624	0	0
Aureate City, Guangzhou	Panyu	100%	58,093	72,549	72,549	0	0
Wanjingde Project, Guangzhou	Liwan	100%	6,623	46,147	46,147	0	0
Tongfu West Project, Guangzhou	Haizhu	100%	9,929	85,682	38,516	0	0
Green View, Dongguan	Liaobu	100%	301,711	429,374	0	189,367	429,374
East Canal No.1, Dongguang	Guancheng	20%	83,156	239,752	8,065	140,449	216,089
Songshan Lake No.1, Dongguan	Songshan Lake	100%	133,333	73,955	0	13,536	73,955
Dream Town, Dongguan	Changping	100%	660,400	425,784	108,582	17,733	102,043
Blue Mountain, Dongguan	Dalingshan	100%	146,674	278,074	0	0	0
Shuilian Mountain, Dongguan	Nancheng	50%	249,398	366,543	0	0	0

The Paradiso, Dongguan	Dalang	51%	91,780	178,259	118,573	0	0
King Metropolis, Dongguan	Nancheng	38.6%	189,934	493,811	0	0	0
Hongxinuoya, Dongguan	Songshan Lanke	90%	288,924	202,200	48,956	0	0
City Views, Zhongshan	Southern District	100%	338,516	507,146	43,390	70,975	332,602
Zhuhai Hotel, Zhuhai	Xiangzhou	100%	109,917	143,820	0	0	0
The Paradiso, Zhuhai	Xiangzhou	100%	23,584	91,917	0	22,569	91,917
Golden Home, Foshan	Nanhai	100%	86,007	220,430	0	92,433	220,430
New City Bay, Foshan	Shunde	100%	69,877	139,754	57,132	0	54,906
Rancho Santa Fe, Foshan	Shunde	100%	110,000	231,490	15,489	39,028	94,540
King Metropolis, Foshan	Nanhai	100%	127,598	240,170	33,428	51,618	91,963
The Dream Town, Foshan	Chancheng	100%	386,400	776,350	26,846	97,187	97,187
The Paradiso, Foshan	Nanhai	55%	75,900	184,607	89,755	35,636	35,636
The Golden Home, Changsha	Furong	80%	165,193	242,160	0	62,160	242,160
The Paradiso, Changsha	Furong	80%	120,150	363,369	103,694	0	0
Golden Home, Changsha	Yuhua	100%	12,526	40,085	40,085	0	0
The Paradiso, Xiamen	Siming	100%	55,657	166,403	0	69,549	114,641
The Paradiso, Fuzhou	Jin'an	100%	166,736	347,731	70,714	0	0
Sub-total			**9,557,848**	**13,401,656**	**1,764,573**	**1,639,777**	**4,553,431**
Yangtze River Delta Region							
Jade Villa, Shanghai	Minhang	49%	296,295	216,597	29,944	0	0
Floral City, Shanghai	Minhang	100%	140,678	207,773	35,861	114,588	114,588
Swallow Court, Shanghai	Minhang	50%	192,663	123,149	0	34,676	123,149
New City Garden, Shanghai	Minhang	51%	287,741	472,125	0	0	0
Wuzhong Road Project, Shanghai	Minhang	100%	61,724	145,065	0	0	0
Qibao 53# Project, Shanghai	Minhang	100%	49,294	219,848	0	0	0
Charming Garden, Shanghai	Songjiang	49%	366,465	312,931	68,928	82,147	197,999
Everest Town, Shanghai	Pudong	90%	238,920	321,275	48,036	59,096	289,820
Golden Yazhu, Shanghai	Pudong	100%	52,998	84,796	0	84,796	84,796
Wujiefang Project, Shanghai	Pudong	99.8%	121,463	129,242	0	0	0
Qijiefang Project, Shanghai	Pudong	99.8%	83,854	142,612	0	0	0

Jiyang Road Project, Shanghai	Pudong	99.8%	16,000	16,500	0	0	0
Rancho Santa Fe	Minhang	100%	317,484	90,358	0	10,130	90,358
Huacao 213, Shanghai	Minhang	100%	172,668	295,700	0	278,335	278,335
Wonderland, Shanghai	Baoshan	100%	383,576	471,700	73,099	60,075	393,656
Luodian Project, Shanghai	Baoshan	100%	231,753	254,356	86,272	0	0
Blue Mountain Town, Shanghai	Pudong	100%	433,180	209,171	0	36,787	163,807
Aureate City, Shanghai	Pudong	50%	405,627	809,929	171,047	0	0
Tongshan Street Project, Shanghai	Pudong	75%	90,645	224,408	0	0	0
Bingjiang Project, Shanghai	Pudong	25%	38,753	103,132	0	0	0
Zhaoxiang Jiangyuan Project, Shanghai	Qingpu	55%	77,804	79,523	0	0	0
North part of Wonderland, Nanchang	Gaoxin	50%	374,335	444,893	3,236	50,283	429,893
Qingshan Lake, Nanchang	Qingshanhu	50%	97,123	135,181	10,948	0	0
Lakefront Apartment, Nanjing	Jianye	100%	134,000	208,799	0	76,176	208,799
Jinyudixiang, Nanjing	Jianye	100%	48,938	97,155	0	0	0
Anpin Street, Nanjing	Baixia	100%	27,325	26,790	0	0	0
Stratford, Nanjing	Xiaguan	100%	27,116	44,147	2,697	11,580	11,580
The Paradiso, Nanjing	Jiangning	70%	272,298	544,540	120,513	0	0
Aureate City, Nanjing	Yuhua	70%	42,318	84,092	12,286	0	0
Nimble Bay, Suzhou	Industrial District	70%	384,042	821,664	64,520	78,255	477,817
Ben’an Project, Suzhou	Industrial District	51%	155,673	133,506	64,981	17,192	45,714
Golden Home, Suzhou	Canglang	55%	134,771	242,588	0	43,960	43,960
Changfeng School Project, Suzhou	Canglang	49%	48,714	48,727	0	0	0
Golf, Kunshan	Bacheng	85%	433,916	328,678	0	0	0
Eastern Impression, Wuxi	Changjiang Road North	70%	81,664	214,817	0	88,730	152,452
Glamorous City, Wuxi	Binghu	60%	960,000	1,336,620	29,869	155,418	528,096
Golden Home, Wuxi	New District	55%	122,206	293,577	0	0	0
The Paradiso, Wuxi	Binghu	55%	154,468	386,250	80,239	0	0
Jinyudixiang, Suzhou	Industrial Zone	51%	47,177	118,099	10,444	0	0
Glamorous City, Zhenjiang	Runzhou	100%	834,900	915,450	67,372	77,036	105,000
Liangzhu New Town, Hangzhou	Yuhang	100%	3,354,214	2,309,282	107,984	127,582	444,040
Horizon Square, Hangzhou	Bingjiang	100%	98,198	166,866	0	0	166,866

Venice City, Hangzhou	Xiaoshan	50%	213,344	264,731	0	13,505	264,731
Aureate City, Hangzhou	Shangcheng	60%	3,584	13,593	0	0	0
A Glamorous City, Hangzhou	Jianggan	100%	84,438	190,104	0	100,713	100,713
West Spring Butterfly Garden, Hangzhou	Xihu	51%	155,838	353,320	0	0	0
Golden Home, Hangzhou	Fuyang	55%	55,576	111,159	111,159	0	0
Spring Bay, Hangzhou	Fuyang	100%	499,483	208,981	51,317	0	0
Golden Mingjun, Hefei	Shushan	50%	107,326	387,447	60,701	0	0
Jianghuai Project, Hefei	Shushan	50%	115,714	412,355	0	0	0
Golden Town, Ningbo	Qinzhou	100%	190,369	313,602	109,628	142,939	142,939
Aureate City, Ningbo	Qinzhou	75%	18,500	49,948	49,948	0	0
Sub-total			**13,337,154**	**16,137,150**	**1,471,030**	**1,743,998**	**4,859,107**
Bohai-Rim region							
Holiday Town, Beijing	Fengtai	50%	224,289	413,304	100,529	151,878	151,878
Wonderland, Beijing	Shunyi	100%	195,817	304,817	0	122,578	218,813
Glorious Palace, Beijing	Fengtai	100%	35,465	97,393	0	22,290	97,393
Aureate City, Beijing	Chaoyang	100%	55,885	141,205	0	0	0
Hongshi Paint Factory, Beijing	Fengtai	100%	59,800	184,502	150,059	0	0
Dream Town, Beijing	Changping	49%	178,908	543,461	167,117	0	0
Golden Sunshine, Beijing	Chaoyang	60%	12,489	17,478	0	17,478	17,478
No. 5 Park Front Boutique Apartment, Beijing	Chaoyang	60%	37,917	97,044	97,044	0	0
Waterfront, Tianjin	Dongli	100%	2,708,886	1,910,211	0	182,521	391,745
Golden Home, Tianjin	Nankai	100%	58,396	105,315	0	105,315	105,315
Holiday Town, Tianjin	Xiqing	55%	228,541	296,382	0	91,185	237,550
The Paradiso, Tianjin	Development District	96%	60,200	283,684	0	0	0
Xiaguang Road #5, Tianjin	Nankai	55%	62,672	41,366	0	41,366	41,366
Holiday Dew Garden, Tianjin	Xiqing	100%	229,300	343,101	59,907	0	0
A Glamorous City, Tianjin	Dongli	100%	176,773	258,579	94,142	0	0
Jin'ao International, Tianjin	Xiqing	100%	58,577	162,566	0	0	0
Binhai Modern, Tianjin	Development District	100%	6,538	40,312	0	0	0
Binhai East, Tianjin	Development District	100%	32,270	51,650	0	0	0
New Milestone, Shenyang	Hunnan New District	100%	52,659	119,260	0	70,461	70,461

Rancho Santa Fe, Shenyang	Dongling	100%	344,365	111,539	37,008	49,737	62,201
New Elm Mansion, Shenyang	Hunnan New District	100%	182,139	289,647	0	64,347	173,329
A Glamorous City, Shenyang	Yuhong	100%	156,817	297,026	109,126	64,654	64,654
Dream Town, Shenyang	Heping	49%	362,282	895,175	143,143	112,361	254,655
Wonderland, Shenyang	Yuhong	100%	387,471	551,319	0	76,122	551,319
Golden Home, Anshan	Tiedong	100%	48,874	97,969	10,702	42,853	42,853
Dream Town, Anshan	Gaoxin	100%	167,664	366,861	75,539	0	0
The Paradiso, Shenyang	Hunnan New District	100%	226,356	565,000	125,083	0	0
Ravine Village, Dalian	Ganjingzi	55%	363,716	380,922	33,877	73,247	108,987
A Glamorous City, Dalian	Ganjingzi	5%	195,526	404,240	33,847	0	0
City Garden, Dalian	Shahekou	100%	28,580	33,942	0	0	0
Rancho Santa Fe, Changchun	Jingyue Development District	100%	130,440	77,468	0	11,551	77,468
Yangpu Garden, Changchun	Economic development District	100%	89,678	208,128	98,069	0	0
Tanxi Villa, Changchun	Jingyue Development District	100%	75,000	48,435	18,860	0	0
A Glamorous City, Qingdao	Chengyang	80%	200,289	355,686	51,094	59,342	140,402
Wonderland, Qingdao	Jimo	55%	150,753	241,205	37,413	0	0
Aureate City, Qingdao	Sifang	60%	61,873	180,000	37,413	0	0
Sub-total			**7,647,205**	**10,516,192**	**1,541,439**	**1,359,286**	**2,807,866**
Other Cities							
A Glamorous City, Chengdu	Chenghua	60%	308,501	748,216	0	24,752	333,059
The Paradiso, Chengdu	Chenghua	100%	56,293	293,700	58,876	0	0
Twin Riverside, Chengdu	Xindu	100%	267,347	360,400	0	37,017	280,668
Spring Dew Masion, Chengdu	Wenjiang	90%	24,773	108,529	0	108,529	108,529
King Metropolis, Chengdu	Jinniu	75%	79,331	359,031	116,403	0	0
Golden Lingyu, Chengdu	Qingyang	100%	49,628	297,980	0	0	0
Jinrun Huafu, Chengdu	Jingjiang	100%	52,895	198,576	0	0	0
Golden Hairong, Chengdu	Wuhou	49%	54,970	222,793	40,872	0	0
Haiyue Huicheng, Chengdu	Shuangliu	90%	104,381	521,698	0	0	0
City Garden, Wuhan	Wuchang	100%	359,947	420,870	0	77,630	420,870

A Glamorous City, Wuhan	Wuchang	100%	218,340	405,457	27,042	85,161	85,161
Dew Mansion, Wuhan	Wuchang	55%	36,390	89,303	0	64,537	89,303
Golden Home, Wuhan	Jianghan	100%	23,851	149,618	0	31,070	31,070
The Peninsula, Wuhan	Dongxi Lake	100%	201,800	253,361	0	122,474	244,173
Aureate City, Wuhan	Jianghan	55%	12,022	36,066	0	0	0
Golf City Garden, Wuhan	Dongxi Lake	49%	135,620	393,858	23,384	0	132,721
Caimao Street, Wuhan	Wuchang	55%	59,790	191,300	0	0	0
Golden Junjing, Wuhan	Jianghan	90%	65,901	299,337	0	0	0
New City, Xi'an	Yanta	51%	41,765	260,735	189,455	0	0
Yu Garden, Chongqing	Yubei	51%	229,579	343,841	0	0	0
Sub-total			**2,383,122**	**5,954,667**	**456,032**	**551,171**	**1,725,555**
Total			**32925,329**	**46,009,665**	**5,233,074**	**5,294,231**	**13,945,958**

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 2008, the Company continued to deepen its relationship with its partners and further centralised procurement and increase strategic collaborations in order to achieve economies of scale. In 2008, purchase made through centralised procurement and strategic collaborations accounted for 54.9% of the total purchase. During the year, the aggregate purchase amount from the five largest material and equipment suppliers was about RMB720 million, accounting for 3.0 per cent of the total purchase of material and equipment for the year.

(2) The aggregate sales amount to the Company's five largest customers as a percentage of its total sales for 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 RMB333 million, accounting for 0.69% of the Company's total sales revenue of 2008.

4. Financial status of the Company

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

Unit:RMB '000

Financial indicators	31-Dec-08	31-Dec-07	Change(+/-)	Reasons for changes
Total Assets	120,586,410	101,137,628	19.23%	Enlargement of the Company
Properties held for development	34,131,859	27,877,598	22.43%	Increase in newly added projects
Properties under development	44,340,454	34,338,168	29.13%	Increase in resources of property development
Trade and other receivable	8,416,532	12,495,032	-32.64%	Part of payment in advance transferred to inventory
Trade and other payable	43,979,208	37,246,428	18.08%	Increase in deposit receivable of sales an land appreciation tax payments
Share holders' equity	31,891,925	29,278,648	8.93%	Increase in the net profit of the year
Financial indicators	**Jan-Dec 2008**	**Jan-Dec 2007**	**Change(+/-)**	**Reasons for changes**

Revenue	38,619,214	33,486,561	15.33%	Increase in booked sales
Gross profit	12,320,012	12,790,579	-3.68%	Increase in cost and provision for diminution in value of inventory
Distribution costs	1,860,350	1,194,544	55.74%	Increased pressure on sale due to market adjustment
Administrative expenses	1,549,021	1,787,642	-13.35%	Decrease in labor cost
Income taxation	3,780,358	4,311,185	-12.31%	Decrease in total profit and income tax rate
Profit attributable to equity holders of the company	4,033,170	4,844,235	-16.74%	Decrease in total profit and provision for diminution in value of inventory
Other financial indicators	**Jan-Dec 2008**	**Jan-Dec 2007**	**Change(+/-)**	**Reasons for changes**
Gearing ratio	67.81%	66.46%	1.35%	Increase in receipts in advance, bank loans and etc.
Current ratio	1.76	1.96	-0.20	Relatively rapid increase in inventory among current assets
Quick ratio	0.43	0.60	-0.17	Relatively rapid increase in receipts in advance among current liabilities
Shareholders' equity ratio	32.19%	33.54%	-1.35%	Increase in receipts in advance and corporate bonds payable
Account receivable turnover (Day)	8.3	6.6	1.7	Increase in total account receivables
Inventory turnover (Day)	1,050	882	168	Relatively rapid increase in land to develop and construction in progress of inventory

Provision for diminution in value of inventory

As at the end of the Reporting Period, pursuant to its prudent financial strategy, the Company provided provision for diminution in value of inventory for its 13 projects. The details are shown below:

Unit: RMB '000

No.	City	Project Name	Equity	Provision provided as at the end of Q3	Additional provision provided during Q4	Total provision provided for the year 2008	Effect on net profit	Effect on net profit attributable to shareholders of the Company
1	Fuzhou	Golden Rongjun	100%	152,170	0	152,170	114,125	114,125
2	Shanghai	Hupo Junyuan	100%	0	65,780	65,780	49,335	49,335
3	Guangzhou	Aureate City	100%	0	87,390	87,390	65,543	65,543
4	Wuhan	Aureate City	55%	0	40,280	40,280	30,213	16,617
5	Wuxi	Golden City	55%	0	53,910	53,910	40,433	22,238
6	Tianjin	Holiday Dew Garden	100%	31,000	39,230	70,230	52,673	52,673
7	Beijing	Aureate City	100%	121,120	0	121,120	90,840	90,840
8	Nanjing	Jinyudixiang	100%	63,590	0	63,590	47,693	47,693
9	Nanjing	The Paradiso	100%	166,880	0	166,880	125,160	125,160
10	Nanjing	Aureate City	100%	0	80,060	80,060	60,045	60,045
11	Chengdu	Haiyue Huicheng	90%	0	81,500	81,500	61,125	61,125
12	Chengdu	Golden Lingyu	100%	0	216,120	216,120	162,090	162,090
13	Chengdu	Jinrun Huafu	100%	0	31,530	31,530	23,648	23,648
Total				**534,760**	**695,800**	**1,230,560**	**922,923**	**891,132**

The Company will continue to review and assess the risk of provision for diminution in value of inventory according to market change in the future.

5. Investment of the Company

(1) Use of proceeds from the capital market

A. Issue of Corporate Bonds

Having obtained the approval from the relevant authorities, 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 with total proceeds of RMB5.9 billion. The net proceeds, after deducting issuing expenses, of RMB5,760.12 million were received on 10 September 2008. Shenzhen Nanfang-Minhe CPA Firm Co., Ltd (深圳南方民和会计师事务所) had prepared a capital verification report (Shen Nan Yan Zi (2008) No. 182).

During the year under review, the proceeds had been used in accordance with the conditions stated in the prospectus.

B. 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 2008 are as follows: (Unit: RMB ’000)

Total amount of proceeds	9,936,600	Fund used for investment during the year	2,013,160
Amount of proceeds with changed usage	0	Accumulated fund used	8,690,480
Percentage of proceeds with changed usage	0%		

Investment Projects	Is there any change in project	Planned investment	Fund used for investment during the year	Accumulated funds used	Progress	Estimated earnings	Earnings generated	Change in feasibility
Science City H3, Guangzhou	No	600,000	80,740	600,000	62%	116,820	-	No
Jinshazhou Project, Baiyun District Guangzhou	No	800,000	0	800,000	37%	712,240	48,030	No
Chancheng Nanzhuang Project, Foshan	No	900,000	432,240	900,000	31%	725,680	182,730	No
Zhuhai Hotel Project, Xiangzhou, Zhuhai	No	650,000	20,180	542,800	Construction not commenced	239,730	-	No
Jiangcun Project West Lake District, Hangzhou	No	700,000	0	700,000	29%	369,630		No
Liangzhu Project, Yuhang District, Hangzhou	No	1,700,000	0	1,700,000	31%	1,912,800	124,930	No
Jinse Shuian Project, Yinzhou District, Ningbo	No	1,636,600	683,580	1,417,570	65%	350,990	143,080	No

Wujiefang Project, Pudong, Shanghai	No	1,200,000	158,710	542,680	Construction not commenced	168,830	-	No
Zhonglin Project, Pudong, Shanghai	No	700,000	448,930	661,250	100%	145,090	263,720	No
Anpin Street Project, Baixia District, Nanjing	No	650,000	8,850	446,140	Construction not commenced	130,350	-	No
Huangjiayu Project, Xiaguan District, Nanjing	No	400,000	179,930	380,040	88%	159,090	3,740	No
Total	No	**9,936,600**	**2,013,160**	**8,690,480**	-	-	-	No
Remarks on delay and estimated earnings (by project)	(1) Zhuhai hotel project was affected by the Zhuhai municipal government’s adjustment of the overall planning of the city centre, and had not commenced construction according to schedule. The Company is actively preparing for the project. Shanghai Wujiefang Project was affected by the government’s redirection of roads due to the organisation of Expo, and was not able to commence construction according to schedule. The Company is actively preparing for the project. Nanjing Anpin Street Project was not able to commence construction according to schedule, as the government had not provide specific details on planning design due to consideration for preservation of the city’s heritage. The Company is actively preparing for the project. (2) In view of the current sales progress of projects and market forecast, it isexpected that the earnings to be generated from Science City H3 Project of Guangzhou, Jinshazhou Project of Baiyun District, Guangzhou, Anpin Street Project of Baixia District, Nanjing and Huangjiayu Project of Xiaguan District, 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 using weighted average calculation method, it is expected that 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)	N/A							
Use of idle capital raised from market to increase working capital on a short-term basis	To improve the efficiency in the utilisation of the proceeds, to reduce financial costs, and to safeguard the interests of the Company and its investors, the Company submitted the “Resolution regarding the use of certain portion of the capital that has been designated for specific projects to increase working capital on a short-term basis” to the Board for consideration and approval on 18 February 2008. With the approval of the Board, the Company applied not more than RMB980 million of the proceeds from the public issue of A shares that had been designated for specific projects and would not be used for that purpose in the near term, to increase its working capital on a short-term basis, i.e. up to 27 August 2008. The use of certain portion of the capital that had been designated for specific projects for increasing working capital will not affect the normal operation of the investment projects financed by the proceeds. On 25 August 2008, the Company fulfilled its undertaking and transferred RMB980 million that had been used to increase working capital back to the designated account for raised proceeds. For details, please refer to the announcements published in China Securities Journal, Securities Times, Shanghai Securities News and The Standard in Hong Kong on 28 February and 27 August 2008.							
Application of the balance of the proceeds	As of 31 December 2008, the Company had applied RMB8,690.48 million of the proceeds in accordance with the prospectus. The amount represened 87.5% of the net proceeds of							

	RMB9,936.6 million. The balance of proceeds of RMB1,246.12 million will be applied in accordance with the progress of project development.

C. Private Placement of A Shares in 2006

Pursuant to the relevant regulatory body's approval, on 13 December 2006 the Company the total proceeds from the private issue of A Shares for specific targets was 4.2 billion. After deducting the issue expenses, the net proceeds were 4,196.7 million. Before 2008, the proceeds used from the private placing of share according to the prospectus wasRMB4,180.93 million, with the exception of the amount of RMB15.77 million designated for investment in Wuhan Goldne Home had not been used, the remaining amount of proceeds intended to be used in other planned investments had been fully applied. In 2008, the amount of proceeds of RMB15.77 million planned for investment in Wuhan Goldne Home had been applied completely. Details are as follows: (Unit: RMB '000)

<table>
<tr><td>Total amount of proceeds</td><td colspan="2">4,196,700</td><td colspan="3">Fund used for investment during the year</td><td colspan="4">15,770</td></tr>
<tr><td>Amount of proceeds with changed usage</td><td colspan="2">0</td><td colspan="3" rowspan="2">Accumulated fund used</td><td colspan="4" rowspan="2">4,196,700</td></tr>
<tr><td>Percentage of proceeds with changed usage</td><td colspan="2">0%</td></tr>
<tr><td>Investment Projects</td><td>Is there any change in project</td><td>Planned investment</td><td>Fund used for investment during the year</td><td>Accumulated funds used</td><td>Progress</td><td>Estimated earnings</td><td>Earnings generated</td><td>Change in feasibility</td></tr>
<tr><td>Wuhan Goldne Home</td><td>No</td><td>500,000</td><td>15,770</td><td>500,000</td><td>68%</td><td>123,430</td><td>69,680</td><td>No</td></tr>
<tr><td>Total</td><td>No</td><td>500,000</td><td>15,770</td><td>500,000</td><td>-</td><td>-</td><td>-</td><td>No</td></tr>
<tr><td>Remarks on delay and estimated earnings (by project)</td><td colspan="8">N/A</td></tr>
<tr><td>Remarks on reasons and procedures for changes (by project)</td><td colspan="8">N/A</td></tr>
<tr><td>Application of the balance of the proceeds</td><td colspan="8">N/A</td></tr>
</table>

D. Covertible bonds issued in 2004

Having obtained the approval from the relevant authorities, the Company issued 1.99 billion convertible bonds to the public on 24 September 2004. As at 31 December 2007, with the exception of the balance of RMB106.12 million intended for the investment in Shanghai Qibao, Land Lot No. 53 had not been applied, all the other funds had been fully applied. The overall return on the application of the fund had been higher than that disclosed in the prospectus.

Shanghai Qibao 53＃Project is located in Qibao Town, Minhang district, Shanghai. The project has not commenced construction due to the government's subway development. The fund designated for the project has, therefore, not been fully applied according to schedule. During the year under review, as the government has adjusted its planning, the project has been amended from a composite project for residential and commercial purpose to a project with a commercial focus, and the date of construction commencement has yet to be confirmed. The Company, having obtained the approval from the 2007 Annual General Meeting, plans to apply the unused funds of RMB106.12 million, originally designated for the Shanghai Qibao 53＃ Project, to invest in District 3, Phase II of Wonderland, Shanghai, to improve the efficiency in the utilisation of raised proceeds. For details, please refer to the announcements published in China Securities Journal, Securities Times, Shanghai Securities News and The Standard of Hong Kong on 18 March and 24 April 2008.

During the year under review, the use of proceeds is as follows: (Unit: RMB ’000)

Total amount of capital for new project		106,120					
New project	Original project	Planned investment for the new project	Actual investment amount during the year	Accumulated investment amount	Earnings generated	On schedule	Achieve estimated gains
District 3, Phase II of Wonderland, Shanghai	Shanghai Qibao No. 53 Project	106,120	106,120	106,120	63,560	Yes	No
Total	-	106,120	106,120	106,120	63,560	-	-
Explanation for delay and not achieving the estimated gains	Due to market changes, the earnings generated from District 3, Phase II of Wonderland, Shanghai was lower than the estimated earnings submitted presented to the shareholders meeting for approval. Its current the net profit margin is 11.72%.						

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

A. Equity investment

During the year under review, the Group’s net long-term investment amount increased by RMB1,066 millon, representing an increase of 14.77% from that of the previous year.

1) The major companies promoted and established by the Group during the year under review are as follows:

No.	Newly-established company	Currency	Registered capital	Equity investment by Chian Vanke (RMB)	Scope of business
1	Fuyang Vanke Real Estate Development Company Limited (富阳万科房地产开发有限公司)	RMB	300,000,000.00	300,000,000.00	Real estate development
2	Vanke (Chongqing) Real Estate Company Limited (万科（重庆）房地产有限公司)	RMB	80,000,000.00	80,000,000.00	Real estate development
3	Hefei Vanke Property Company Limited (合肥万科置业有限公司)	RMB	20,000,000.00	20,000,000.00	Real estate development
4	Xi’an Vanke Company Limited (西安万科企业有限公司)	RMB	20,000,000.00	20,000,000.00	Real estate development
5	Guangzhou Vanke Duhua Real Estate Company Limited (广州市万科都华房地产有限公司)	RMB	10,000,000.00	10,000,000.00	Real estate development
6	Hangzhow Vanke Rongda Real Estate Company Limited (杭州万科容大房地产有限公司)	RMB	30,000,000.00	16,500,000.00	Real estate development
7	Tianjin Zhongtian Wanfang Investment Company Limited (天津中天万方投资有限公司)	RMB	20,000,000.00	20,000,000.00	Investment
8	Tianjin Wanzhu Investment Company Limited (天津万筑投资有限公司)	RMB	20,000,000.00	20,000,000.00	Investment
9	Tianjin Wanfu Investment Company Limited (天津万福投资有限公司)	RMB	10,000,000.00	10,000,000.00	Investment
10	Xi’an Vanke Chengnan Property Company Limited (西安万科城南置业有限公司)	RMB	10,000,000.00	10,000,000.00	Real estate development

11	Dalin Vanke Property Company Limited (大连万科置业有限公司)	RMB	30,000,000.00	30,000,000.00	Real estate development
12	Fuyang Water Bay Property Company Limited (富阳泉水湾置业有限公司)	USD	29,000,000.00	68,345,945.32	Real estate development
	Total			**604,845,945.32**	

Save as the aforesaid companies, the Group had promoted and established another 5 companies which engage in landscaping, consultancy and furnishing projectof, with a total amount of investment of RMB9.1 million.

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

i) In January 2008, the Company entered into an agreement regarding the acquisition of the 100% equity interests in Shanghai Xiangda Real Estate Development Company Limited and as well the land of Shanghai Tongshan Street Project ("Shanghai Xiangda") for a total consideration of RMB2,056.12 million.

ii) In July 2008, the Group acquired 70% equity interests of Shenyang Vanke Hunnan Jinyu Real Estate Co., Ltd. for a total cash consideration of RMB715.78 million, thereby obtaining land for the Paradiso project in Shenyang.

The total amount of investment in another 16 companies acquired by the Group during the year under review was RMB2011 million.

3). During the year under review, the Company increased the capital of 19 majority-owned subsidaries by RMB2,885 million to facilitate their business development. Of the total amount, RMB975 million was for Shanghai Xiangda Real Estate Development Company Limited, RMB500 million for Shanghai Meilan Home Property Company Limited (上海美兰华府置业有限公司), US$65.44 million for Chengdu Vanke Guanghua Property Company Limited (成都万科光华置业有限公司), RMB370 million for Shanghai Luolian Property Company Limited (上海罗联置业有限公司), US$30 million for Chengdu Vanke Guobin Property Company Limited (成都万科国宾置业有限公司), RMB150 million for Shanghai Junke Investment Management Company Limited (上海郡科投资管理有限公司). Capital injection to other companies amounted to RMB248 million.

B. Other investments

During the year under review, the Company had acquired 28 new projects, with a total site area of approximately 3.642 million sq m and a planned GFA of approximately 6.795 million sq m, of which approximately 4.65 million sq m of planned GFA is in proportion to China Vanke's equity holding. (Unit: sq m)

Region	Project	Location	Equity interest	Site Area	Planned GFA	Planned GFA to Vanke's Equity	Progress
Shenzhen	Airport Project	Baoan	100%	72,410	161,856	161,856	Pre-construction
	The Village	Longgang	100%	39,407	75,128	75,128	On sale
Huizhou	Twin Moonbay	Huidong	67%	360,000	360,000	241,200	Pre-construction
Dongguan	Palace	Nancheng	38.6%	189,934	493,811	190,611	Pre-construction
	Hongxinuoya	Songshan Lake Industrial Zone	90%	288,924	202,200	181,980	Commenced construction
Shanghai	Zhaohangjingyuan	Qingpu	55%	77,804	79,523	43,738	Pre-construction
Suzhou	Jinyudixiang	Industrial Garden	51%	47,177	118,099	60,230	Commenced construction
Hangzhou	Golden Home	Fuyang	55%	55,576	111,159	61,138	Commenced construction
	Spring Bay Project	Fuyang	100%	499,483	208,981	208,981	On sale

Ningbo	Aureate City	Qinzhou	75%	18,500	49,948	37,461	Commenced construction
Tianjin	Holiday Dew Mansion	Xiqing	100%	229,300	343,101	343,101	On sale
	A Glamorous City	Dongli	100%	176,773	258,579	258,579	On sale
	Jin'ao International	Xiqing	100%	58,577	162,566	162,566	Commenced construction
	Binhai Modern	Development District	100%	6,538	40,312	40,312	Pre-construction
	Binhai Eastern District	Development District	100%	32,270	51,650	51,650	Pre-construction
Shenyang	The Paradisco	Hunnan New District	100%	226,356	565,000	565,000	On sale
Dalian	A Glamorous City	Ganjingzi	5%	195,526	404,240	20,212	Commenced construction
Changchun	Tanxi Villa	Jingyue Development District	100%	75,000	48,435	48,435	Commenced construction
Qingdao	The Wonderland	Jimo	55%	150,753	241,205	132,663	On sale
	Aureate City	Sifang	60%	61,873	180,000	108,000	On sale
Chengdu	Golden Hairong	Wuhou	49%	54,970	222,793	109,168	Commenced construction
	Haiyue Huicheng	Shuangliu	90%	104,381	521,698	469,528	Pre-construction
Wuhan	Caimao Street	Wuchang	55%	59,790	191,300	105,215	Pre-construction
	Golden Junjing	Jianghan	90%	65,901	299,337	269,403	Pre-construction
Xi'an	New City, Xi'an	Yanta	51%	41,765	260,735	132,975	On sale
Chongqing	Yu Garden	Yubei	51%	229,579	343,841	175,359	Pre-construction
Hefei	Golden Mingjun	Shushan	50%	107,326	387,447	193,723	On sale
	Jianghuai Project	Shushan	50%	115,714	412,355	206,178	Pre-construction
Total				**3,641,607**	**6,795,299**	**4,654,391**	

The total land premium of the above-mentioned new projects was RMB13.61 billion. As at the end of 2008, the Company had paid a total premium of RMB9.4 billion for the above-mentioned new projects.

In addition, during the year under review, the Company added four new projects, of which the related transfer procedure is being handled. These projects have a total site area of 201,000 sq m, of which 500,000 sq m of planned GFA is in proportion to China Vanke's equity holding. As there is still uncertainty over the completion of the acquisition of these projects, they are not included in the table of newly added projects.
Subsequent event:
From the end of the year under review to 18 February 2009, the Company acquired one new project, with a total site area of 38,100 sq m and a total planned GFA of 136,000 sq m. The total land premium was RMB454 million. Details are as follows:

City	Project Name	Location	Equity	Site area (sq m)	Planed GFA (sq m)	Constructed area hold by China Vanke (sq m)	Project progress
Guangzhou	Datansha Project	Liwan	100%	38,111	135,689	135,689	Commenced construction

6.Project development plan for the new year
As at the end of 2008, there were 106 projects acquired by the Company and were under planning. The total area of these projects amounted to approximately 22.81 million sq m, of which approximately 17.93 million sq m was in proportion to China Vanke's equity holding.

Considering the market uncertainty in the future, the Company adopted a more cautious approach, insisting on matching its development pace with its sales progress. The planned area for newly commenced construction and completed area for 2009 will be approximately 4.03 million sq m and 6.19 million sq m respectively. The planned area for newly commenced construction for 2009 was 23% less than the actual area for newly commenced construction for 2008.

The Group's Major Projects in 2009 (Unit: sq m)

Project Name	Location	Equity	Site area	Planed GFA	Planned area for newly commenced construction in 2009	Planned completed area in 2009	GFA construction of which not commenced as at the end of 2008
Pearl River Delta Region							
The Village, Shenzhen	Longgang	100%	472,011	646,930	40,013	117,074	143,170
East Coast, Shenzhen	Yantian	100%	342,984	265,864	0	31,007	0
Vanke Centre, Shenzhen	Yantian	100%	61,730	80,201	0	80,201	0
Ravine Village, Shenzhen	Baoan	60%	158,639	47,270	4,080	0	47,270
Dajiang Island, Shenzhen	Huizhou	100%	364,450	234,975	0	0	234,975
Eastern Metropolis, Shenzhen	Longgang	100%	104,801	315,808	0	36,775	238,001
Rancho Santa Fe, Shenzhen	Baoan	55%	72,499	43,499	0	43,499	0
Huayu Project, Shenzhen	Longgang	60%	62,474	96,969	96,969	0	96,969
Jiuzhou Project, Shenzhen	Longgang	90%	236,330	513,012	59,580	0	513,012
Qianlin Shanju, Shenzhen	Longgang	100%	198,597	361,753	75,792	49,090	252,823
Palace, Shenzhen	Baoan	100%	68,310	195,000	80,571	120,379	80,571
The Paradiso, Huizhou	Huicheng	100%	151,298	327,550	22,369	31,573	295,977
Tianqin Bay, Shenzhen	Yantian	90%	253,990	24,785	3,664	5,180	12,793
Water Cities, Dongguan	Tangxia	51%	596,786	412,504	65,166	116,737	308,837
Airport project, Shenzhen	Baoan	100%	72,410	161,856	20,000	0	161,856
Shuangyuewan, Huizhou	Huidong	67%	360,000	360,000	0	0	360,000
Tian Jing Garden, Guangzhou	Baiyun	100%	61,324	143,979	0	68,557	0
The Paradiso, Guanghzou	Baiyun	50%	144,657	433,584	56,105	76,020	157,233
Hillside Garden, Guangzhou	Baiyun	50%	94,745	142,542	0	33,229	0
Golden Kangyuan, Guangzhou	Liwan	100%	6,576	58,431	0	58,431	0
Golden Liyuan, Guangzhou	Liwan	100%	5,734	40,558	0	40,558	0
Everest Town, Guangzhou	Luogang	100%	88,105	175,971	0	45,567	0
Golden Jiangwan,	Haizhu	100%	9,629	58,624	0	0	0

Guangzhou								
Aureate City, Guangzhou	Panyu	100%	58,093	72,549	0	26,873	0
Wanjingde Project, Guangzhou	Liwan	100%	6,623	46,147	0	46,147	0
Tongfu West Project, Guangzhou	Haizhu	100%	9,929	85,682	47,166	0	47,166
East Canal No.1, Dongguan	Guancheng	20%	83,156	239,752	0	23,663	0
Dream City, Dongguan	Changping	100%	660,400	425,784	35,254	30,896	212,842
Blue Mountain, Dongguan	Dalingshan	100%	146,674	278,074	30,000	0	278,074
Shuilian Mountain, Dongguan	Nancheng	50%	249,398	366,543	0	0	366,543
The Paradiso, Dongguan	Dalang	51%	91,780	178,259	36,049	67,369	59,686
Palace, Dongguan	Nancheng	38.6%	189,934	493,811	87,800	0	493,811
Hongxinuoya, Dongguan	Songshan Lake	90%	288,924	202,200	75,200	46,549	153,244
City Views, Zhongshan	Southern District	100%	338,516	507,146	43,225	43,390	131,120
Zhuhai Hotel, Zhuhai	Xiangzhou	100%	109,917	143,820	59,720	19,620	143,820
New City Bay, Foshan	Shunde	100%	69,877	139,754	0	37,442	0
Rancho Santa Fe, Foshan	Shunde	100%	127,598	231,490	54,697	57,072	54,697
Palace, Foshan	Nanhai	100%	127,598	240,170	0	129,901	0
Dream Town, Foshan	Chancheng	100%	386,400	776,350	16,300	93,110	495,483
The Paradiso, Foshan	Nanhai	55%	75,900	184,607	36,386	46,800	59,600
The Paradiso, Changsha	Furong	80%	120,150	363,369	136,500	103,694	259,675
Golden Home, Changsha	Yuhua	100%	12,526	40,085	0	40,085	0
The Paradiso, Xiamen	Siming	100%	55,657	166,403	0	51,762	0
Golden Rongjun, Fuzhou	Jin'an	100%	166,736	347,731	62,427	21,899	277,017
Sub-total			**7,346,269**	**10,671,390**	**1,245,033**	**1,840,149**	**5,936,265**
Yangtze River Delta Region							
Jade Villa, Shanghai	Minhang	49%	296,295	216,597	22,290	23,109	156,353
Floral City, Shanghai	Minhang	100%	140,678	207,773	37,352	55,833	37,352
New City Garden, Shanghai	Minhang	51%	287,741	472,125	156,307	0	472,125
Wuzhong Road Project, Shanghai	Minhang	100%	61,724	145,065	145,065	0	145,065
Qibao 53#, Shanghai	Minhang	100%	49,294	219,848	24,500	0	219,848
Charming Garden, Shanghai	Songjiang	49%	366,465	312,931	0	109,614	19,189
Everest Town, Shanghai	Pudong	90%	238,920	321,275	0	31,455	0
Wujiefang, Shanghai	Pudong	99.8%	121,463	129,242	129,242	0	129,242

Qijiefang, Shanghai	Pudong	99.8%	83,854	142,612	142,612	0	142,613
Jiyang Road, Shanghai	Pudong	99.8%	16,000	16,500	16,500	0	16,500
Huacao 213, Shanghai	Minhang	100%	172,668	295,700	0	17,365	0
Wonderland, Shanghai	Baoshan	100%	383,576	471,700	0	0	13,551
Luodian Project, Shanghai	Baoshan	100%	231,753	254,356	0	0	168,084
Blue Mountain Town, Shanghai	Pudong	100%	433,180	209,171	36,480	15,580	59,583
Aureate City, Shanghai	Pudong	50%	405,627	809,929	91,641	114,500	638,882
Tongshan Street Project, Shanghai	Pudong	75%	90,645	224,408	41,100	0	224,408
Bingjiang Project, Shanghai	Pudong	25%	38,753	103,132	0	0	103,132
Zhaohang Jingyuan, Shanghai	Qingpu	55%	77,804	79,523	47,437	0	79,523
North Part of Wonderland, Nanchang	Gaoxin	50%	374,335	444,893	15,000	15,000	15,000
Qingshan Lake, Nanchang	Qingshanhu	50%	97,123	135,181	56,800	14,605	124,232
Jinyudixiang, Nanjing	Jianye	100%	48,938	97,155	0	97,155	0
Anping Street, Nanjing	Baixia	100%	27,325	26,790	26,790	0	26,790
Stratford, Nanjing	Xiaguan	100%	27,116	44,147	0	32,567	0
The Paradiso, Nanjing	Jiangning	70%	272,298	544,540	0	0	424,027
Aureate City, Nanjing	Yuhua	70%	42,318	84,092	71,806	84,092	71,806
Nimble Bay Garden, Suzhou	Industrial District	70%	384,042	821,664	19,655	16,224	253,816
Ben’an Project, Suzhou	Industrial District	51%	155,673	133,506	11,405	17,258	23,019
Golden Home, Suzhou	Canglang	55%	134,771	242,588	0	132,037	0
Changfeng School Project, Suzhou	Canglang	49%	48,714	48,727	0	0	48,727
Golf, Kunshan	Bacheng	85%	433,916	328,678	15,398	0	328,678
Eastern Impression, Wuxi	Changjiang Road North	70%	81,664	214,817	0	62,365	0
Glamorous City, Wuxi	Binghu	60%	960,000	1,336,620	69,260	112,590	683,131
Golden Home, Wuxi	New District	55%	122,206	293,577	53,554	0	293,577
The Paradiso, Wuxi	Binghu	55%	154,468	386,250	57,755	0	306,011
Golden Dixiang, Suzhou	Industrial District	51%	47,177	118,099	0	0	107,655
Glamorous City, Zhenjiang	Runzhou	100%	834,900	915,450	77,275	89,169	724,185
Liangzhu New Town, Hangzhou	Yuhang	100%	3,354,214	2,309,282	64,000	218,128	1,478,451
Aureate city, Hangzhou	Shangcheng	60%	3,584	13,593	0	13,593	0
Glamorous City, Hangzhou	Jianggan	100%	84,438	190,104	0	89,391	0
West Spring Butterfly Garden, Hangzhou	Xihu	51%	155,838	353,320	56,211	112,404	241,852
Golden Home,	Fuyang	55%	55,576	111,159	0	0	0

Hangzhou							
Spring Bay Project, Hangzhou	Fuyang	100%	499,483	208,981	12,000	52,113	157,664
Golden Mingjun, Hefei	Shushan	50%	107,326	387,447	3,800	0	326,746
Jianghuai Project, Hefei	Shushan	50%	115,714	412,355	0	0	412,355
Golden Shui'an, Ningbo	Qinzhou	100%	190,369	313,602	61,300	109,363	61,300
Aureate City, Ningbo	Qinzhou	75%	18,500	49,948	0	0	0
Sub-total			**12,328,467**	**15,198,452**	**1,562,535**	**1,635,510**	**8,734,471**
Bohai-Rim region							
Holiday Town, Beijing	Fengtai	50%	224,289	413,304	0	99,570	96,600
Wonderland, Beijing	Shunyi	100%	195,817	304,817	18,000	68,344	18,000
Aureate City, Beijing	Chaoyang	100%	55,885	141,205	119,220	0	141,205
Hongshi Paint Factory Project, Beijing	Fengtai	100%	59,800	184,502	0	138,717	34,443
The Dream Town, Beijing	Changping	49%	178,908	543,461	0	167,117	376,344
No.5 Parkfront Boutique Apartment, Beijing	Chaoyang	60%	37,917	97,044	0	7,814	0
Waterfront, Tianjin	Dongli	100%	2,708,886	1,910,211	15,000	172,840	1,518,466
Holiday Town ,Tianjin	Xiqing	55%	228,541	296,382	0	58,832	0
The Paradiso, Tianjin	Development District	96%	60,200	283,684	0	283,684	0
Holiday Dew Garden, Tianjin	Xiqing	100%	229,300	343,101	100,798	59,907	283,194
Glamorous City, Tianjin	Dongli	100%	176,773	258,579	14,000	75,795	164,437
Jin'ao International, Tianjin	Xiqing	100%	58,577	162,566	32,000	0	162,566
Binhai Modern, Tianjin	Development District	100%	6,538	40,312	0	0	40,312
Binhai Eastern District	Development District	100%	32,270	51,650	0	0	51,650
Everest Town, Shenyang	Hunnan New District	100%	52,659	119,260	0	48,799	41,000
Rancho Santa Fe, Shenyang	Dongling	100%	344,365	111,539	0	31,003	12,330
New Elm Mansion, Shenyang	Hunnan New District	100%	182,139	289,647	0	48,638	57,464
Glamorous City, Shenyang	Yuhong	100%	156,817	297,026	4,407	142,044	80,874
Dream Town, Shenyang	Heping	49%	362,282	895,175	48,389	174,583	420,171
Golden Home, Anshan	Tiedong	100%	48,874	97,969	0	40,510	0
Dream Town, Anshan	Gaoxin	100%	167,664	366,861	20,554	75,539	291,322
The paradiso, Shenyang	Hunnan New District	100%	226,356	565,000	0	57,513	439,917

Ravine Village, Dalian	Ganjingzi	55%	363,716	380,922	0	67,576	151,921
Glamorous City, Dalian	Ganjingzi	5%	195,526	404,240	84,893	33,847	370,393
City Garden, Dalian	Shahekou	100%	28,580	33,942			33,942
Yangpu Garden, Changchun	Economic Development District	100%	89,678	208,128	6,968	98,069	110,059
Tanxi Villa, Changchun	Jiangyue Development District	100%	75,000	48,435	4,034	8,646	29,575
Glamorous City, Qingdao	Chengyang	80%	200,289	355,686	0	29,186	104,906
Wonderland, Qingdao	Jimo	55%	150,753	241,205	30,042	36,291	203,792
Aureate City, Qingdao	Sifang	60%	61,873	180,000	0	39,163	81,110
Sub-total			**6,960,272**	**9,625,854**	**498,305**	**2,064,027**	**5,315,992**
Others							
City Garden, Chengdu	Jingjiang	100%	322,196	479,627	0	0	0
Glamorous City, Chengdu	Chenghua	60%	308,501	748,216	144,123	101,049	169,830
The Paradiso, Chengdu	Chenghua	100%	56,293	293,700	0	234,410	0
Twin Riveside, Chengdu	Xindu	100%	267,347	360,400	29,116	38,787	72,306
Jinyu Xiling, Chengdu	Jinniu	75%	79,331	359,031	0	69,522	0
Golden Lingyu, Chengdu	Qingyang	100%	49,628	297,980	0	0	297,980
King Metropolis, Chengdu	Jingjiang	70%	52,895	198,576	30,000	0	198,576
Golden Hairong, Chengdu	Wuhou	49%	54,970	222,793	18,686	0	181,921
Haiyue Huicheng, Chengdu	Shuangliu	100%	104,381	521,698	0	0	521,698
Glamorous City, Wuhan	Wuchang	100%	218,340	405,457	57,105	81,666	216,356
Golden Home, Wuhan	Jianghan	100%	23,851	149,618	0	61,812	0
The Peninsula of Wonderland, Wuhan	Dongxi Lake	100%	201,800	253,361	0	9,188	0
Aureate City, Wuhan	Jianghan	55%	12,022	36,066	36,066	0	36,066
Golf City Garden, Wuhan	Dongxi Lake	49%	135,620	393,858	38,813	23,384	219,921
Caimao Street Project, Wuhan	Wuchang	55%	59,790	191,300	24,629	0	191,300
Goldern Junjing, Wuhan	Jianghan	90%	65,901	299,337	39,150	0	299,337
New City, Xi’an	Yanta	51%	41,765	260,735	71,280	0	71,280
Yu Garden, Chongqing	Yubei	51%	229,579	343,841	104,302	26,208	343,841
Sub-total			**2,284,207**	**5,815,593**	**593,270**	**646,027**	**2,820,411**
Total			**28,919,215**	**41,311,288**	**3,899,142**	**6,185,713**	**22,807,139**
Datansha Project	Liwan	100%	38,111	135,689	135,689	**0**	135,689
Total			**28,635,130**	**40,967,350**	**4,034,831**	**6,185,713**	**22,942,828**

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 significant 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) Other significant event may affect the contruction progress which is difficult to estimate.

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 period	Changes of fair value during the period	Accumulated changes of fair value booked into equity	Provision provided during the period	Disposal during the period	Balance at the end of the period
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Financial assets						
Including:1.financial assets measured by fair value, and which changes accounted to the profit and loss during the period[2]	-	-	-	-	-	-
Including: derivative financial assets	-	-	-	-	-	-
2.Available- for – sale financial assets	488,844.11	-	-109,102.03	-	-212,324.19	167,417.89
Sub-total of financial assets	**488,844.11**	**-**	**-109,102.03**	**-**	**-212,324.19**	**167,417.89**
Financial liabilities	20,957.11	-19,262.23				1,694.88
Investment property	-	-	-	-		-
Biological assets for producing	-	-	-	-		-
Others[3]	-	-	-	-		-
Total	**-**	**-19,262.23**	-109,102.03	**-**	-212,324.19	-

Holding of financial assets and financial liabilities in foreign currency

Item	Balance at the beginning of the period	Changes of fair value during the period	Accumulated changes of fair value booked into equity	Provision provided during the period	Balance at the end of the period
(1)	(2)	(3)	(4)	(5)	(6)
Financial Assets					
Including: 1. financial assets measured by fair value, and which changes accounted to the profit and loss during the period [2]					
Including: derivative financial assets					
2.Loans and amount receivables [3]					
3.Available-for-sale financial assets					

4.Hold to maturity investment [3]					
Sub-total of financial assets					
Financial Liabilities	**20,957.11**	**-19,262.23**			**1,694.8**8

Most of the items measured by fair value are legal person shares that have been held by the Company for a long time and with a low value and are now being gradually disposed of. With reference to the control procedure for major investment projects, and following a review by the relevant professional department, the Company's management reviewed and approved, within the scope of authority as conferred by the Board.

8**. Work Report of the Board of Directors**

(1) The Board held a total of four board meetings during 2008

A. On 19 March 2008, the 13th Meeting of the 14th 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 2007; the resolution regarding the recognition of investment properties for the year 2007 and the granting of general mandate; Auditor's Report for the year 2007; the proposal on profit appropriation and dividend distribution and the transfer of capital surplus reserve to share capital for the year 2007; the resolution regarding the additional appropriation for 2007 incentive fund under Phase One of the Restricted Stock Incentive Plan; the internal control self-assessment report for the year 2007; the resolution regarding the appointment of auditors for the year 2008; President's work highlights for the year 2008; the 2007 annual report and its summary; the resolution regarding the adjustment to the remuneration of the directors and members of the Supervisory Committee.

The announcement of the relevant resolutions was published in China Securities Journal, Securities Times, Shanghai Securities News and The Standard of Hong Kong respectively on 21 March 2008.

B. On 23 April 2008, the First Meeting of the 15th Board was held. Mr Wang Shi was elected as Chairman of the Board, and Mr Song Lin was elected as Deputy Chairman of the Board; Independent Director David Li Ka Fai, Director Jiang Wei, and Independent Director Qi Daqing were elected as members of the audit committee of the Board, Independent Director Charles Li, Director Jiang Wei, and Director Shirley L. Xiao were elected as members of the investment and decision-making committee of the Board, and Independent Director Qi Daqing, Independent Director Charles Li, and Director Sun Jianyi were elected as members of remuneration and nomination committee of the Board. The meeting also considered and approved the amendments to "Implementation details of the Audit Committee" and the 2008 first quarterly report and financial statements.

The announcement of the relevant resolutions was published in China Securities Journal, Securities Times, Shanghai Securities News and The Standard of Hong Kong respectively on 25 April 2008.

C. On 1 August 2008, the Second Meeting of the 15th Board was held to consider and approve the following resolutions: the 2008 interim report, financial statements and the summary of the interim report; the resolution regarding the proposals of no profit appropriation or transfer of surplus reserve to share capital for the 2008 interim period; the "Independent Directors System"; the amendments to the "Administrative Measures on Information Disclosure"; and the report on no capital used for non-operation purpose by major shareholder or its connected parties. The announcement of the relevant resolutions was published in China Securities Journal, Securities Times, Shanghai Securities News and The Standard of Hong Kong respectively on 5 August 2008.

D. On 24 October 2008, the Third Meeting of the 15th Board was held to consider and approve the third quarterly report and financial statements for the year 2008. The announcement of the relevant resolution was published in China Securities Journal, Securities Times, Shanghai Securities News and The Standard of Hong Kong respectively on 28 October 2008.

(2)In 2008, the Board had voted by correspondence for 15 times:

A. On 25 January 2008, the resolution regarding the provision of guarantee to the loan application by Wuhan Vanke Tiancheng Real Estate Co., Ltd was submitted for the Board's approval through voting by correspondence.

B. On 28 January 2008, the resolution regarding the provision of guarantee to the land transfer involved in the Tianyin Jinsha project was submitted for the Board's approval through voting by correspondence.

C. On 18 February 2008, the resolution regarding the use of part of the proceeds raised for special projects to temporarily strengthen working capital was submitted for the Board's approval through voting by correspondence.

D. On 26 February 2008, the resolution regarding the acquisition of Shenyang Yeqiao project was submitted for the Board's approval through voting by correspondence.

E. On 29 February 2008, the resolution regarding the change in the use of the outstanding balance of the proceeds from "Vanke CB2" for the Shanghai Qibao 53＃Project was submitted for the Board's approval through voting by correspondence.

F. On 21 March 2008, the resolution regarding the adjustment of the shareholding structure of Dongguan Vanke Property Company Limited was submitted for the Board's approval through voting by correspondence.

G. On 28 March 2008, the resolutions regarding the election of a new Board of Directors and the holding of the 2007 Annual General Meeting were submitted for the Board's approval through voting by correspondence.

H. On 19 May 2008, the resolutions regarding the participation in resettlement and reconstruction works in the affected area following the Sichuan earthquake and the holding of the First Special General Meeting of 2008 were submitted for the Board's approval through voting by correspondence.

I. On 26 May 2008, the resolution regarding the provision of guarantee to Shenzhen Yili Real Estate Development Co., Limited's bank loan was submitted for the Board's approval through voting by correspondence.

J. On 1 July 2008, the resolution regarding the provision of guarantee to the loan application by Wuxi Vanke Real Estate Co., Ltd was submitted for the Board's approval through voting by correspondence..

K. On 18 July 2008, the resolution regarding the adjustment of corporate governance initiatives was submitted for the Board's approval through voting by correspondence.

L. On 29 July 2008, the resolution regarding the transfer of incentive stock to the personal accounts of the beneficiaries of the 2006 Restricted Stock Incentive Plan was submitted for the Board's approval through voting by correspondence.

M. On 31 July 2008, the resolution regarding the provision of guarantee to the loan application by Tianjin Xinghai Real Estate Co., Ltd was submitted for the Board's approval through voting by correspondence..

N. On 26 September 2008, the resolution regarding the transfer of equity interests of Beijing Wanxin Investment Development Company Limited was submitted for the Board's approval through voting by correspondence..

O. On 4 December 2008, the resolution regarding the provision of guarantee to the loan application by Fuyang Vanke Real Estate Development Co., Ltd was submitted for the Board's approval through voting by correspondence.

The progress and important facts of the relevant issues were disclosed pursuant to requirements in China Securities Journal, Securities Times, Shanghai Securities News and The Standard of Hong Kong on 28 February, 18 March, 3 April, 21 May, 5 June, 7 July, 23 August and 13 September 2008 respectively.

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

A. The implementation of the proposals on dividend distribution and the transfer of capital surplus reserve to share capital for the year 2007

Following the resolutions passed at the 2007 (20th) Annual General Meeting, the Board had proceeded with the implementation of the proposals on dividend distribution and the transfer of capital surplus reserve to share capital for 2007. The dividend distribution proposal for 2007 is as follows: for every 10 existing shares held, a cash dividend of RMB1.0 (including tax; a cash dividend of RMB0.9 (after tax) for every 10 existing shares held was actually paid to individual public shareholders of A share and investment funds; B share was not subject to taxation) was paid. The proposal on the transfer of capital surplus reserve to share capital for 2007 is as follows: six shares were transferred to shareholders for every 10 shares held. The record date for A shareholders for entitlement of dividend and transfer of capital surplus reserve to share capital was 13 June 2008. The ex-rights and ex-dividends date as well as the listing date of the new shares transferred from the capital surplus reserve was 16 June 2008. The last trading date for B share was 13 June 2008 and the ex-rights and ex-dividends date was 16 June 2008. The record date for B shareholders was 18 June 2008 and the listing date of the new shares transferred from the capital surplus reserve was 19 June 2008. The exchange rate for B share's cash dividend was HK$1 = RMB0.8967, being the median price of the exchange rate of Hong Kong dollars for Renminbi published by the People's Bank of China on the first working day (24 April 2008) after the approval of the dividend distribution proposal at the Company's 2007 Annual General Meeting.

B.Issue of corporate bonds

The First Special General Meeting of 2007 approved the resolution regarding the issue of corporate bonds. The Company had submitted the application for issue of the corporate bonds to the China Securities Regulatory Commission ("CSRC"), in accordance with the general meeting. On 26 August 2008, the application obtained the approval from CSRC. On 2 September, the Company announced the public issue of corporate bonds. The corporate bonds were classified into secured bonds and unsecured bonds, in which both bore a fixed interest rate with a 5-year maturity. For unsecured bonds, the issuer had the right to raise the coupon rate, while investors had the right to resell their bonds. According to the feedback on the price, the coupon rate of the Company's secured bonds was 5.50%, and that of unsecured bonds was 7.00%. On 9 September, the issue was completed, and the final size of the issue of secured bonds was RMB3 billion, and that of unsecured bonds was RMB2.9 billion. On 18 September, the issued corporate bonds commenced trading on the Shenzhen Stock Exchange.

C. The use of the corporate citizenship fund for specific projects development

During the year under review, the Company continued to use its corporate citizenship fund for specific projects development in the construction of the "Wanhui Building" project, a prototype located in Guangzhou for residential housing target at the low to middle income family group, sponsorship for the fundamental education on housing prefabrication and the first donation to Wenchuan, Sichuan after earthquake. After Wenchuan was hit hard by the earthquake, the Company, as authorised by the Board, promptly donated RMB2.2 million; among which, RMB2 million was donated to Red Cross Society of China for the redevelopment of the Liubaxiang Primary School and Xingmaxiang Clinic at Nanjiangxiang, Bazhong City, Sichuan, and RMB0.2 million was donated to China Foundation for Poverty Alleviation, along with the donations from Society Entrepreneur Ecology and Organising Committee of China Entrepreneurs Forum for the redevelopment of Yuchengqu Zhonglizhen Lianhe Primary School and Mingshanxian Mojia Primary School at Ya'an City, Sichuan.

The Company also joined hands with non-governmental organisations on issues including environmental protection, combating poverty, funding for education as well as disaster relief. In particular, "A little bag makes a big difference" campaign, which calls for the use of environmental friendly bags, was named the "Most Innovative Internet Charity Campaign" from sina.com.

Currently, the "Wan-hui building" project was ready for occupation and gained the approval of Guangdong Construction Department for being "A pilot housing project funded by Guangdong enterprise for lease to low income group". In the future, the Company will continue to explore solutions to residential housing for low to middle income family group, as well as to promote the building of a harmonious society, environmental protection, other charity activities and donations, in order to enhance corporate citizenship.

D. Resettlement and reconstruction works in the affected area following the Sichuan earthquake

Following the resolutions passed at the First Special General Meeting of 2008, the Company contributed an accumulative amount of RMB67.50 million of which RMB46.61 million was paid in 2008 in the resettlement and reconstruction works in the earthquake-stricken area, which included the donations of RMB47.19 million in 2008 in the construction of Zundao School (Phase I), Zundao Hospital and Zundao Community Centre in Zundaozhen, Mianzhu, and Dujiangyan of Xiangge Citiy Community Centre. Of RMB47.19 million, RMB26.3 million had been paid. The donations of RMB16 million and RMB2 million were contributed to Shenzhen Charity Organisation and Yantian Branch of Shenzhen Charity Organisation for the reconstruction works in the disaster areas. The amount involved in material procurement, logistics arrangement, rental on technical machines, construction of temporary houses and vehicles donation after the earthquake as well as community reconstruction was RMB2.31 million.

On 31 December, the main school building and hospital complex located in Zundaozhen, Mianzhu City, Sichuan, which were wholly funded by the Company, were dedicated and were among the first permanent public buildings funded by enterprises after the earthquake.

(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 six audit committee meetings and communication meetings. The audit committee considered the following issues: the periodical financial reports, opinions on the management of audit firm, provision for diminution in value, guarantee issues, the appointment of the person-in-charge of internal audit department, establishment and development of an internal control system, etc. The audit committee regularly communicated with auditors.

Since commencing its audit duties in 2008, the audit committee actively worked with the auditors regarding the arrangement of the audit work. Since the end of the year under review, the audit committee held two more audit committee meetings and communication meetings, reviewed the financial reports and provided feedback, and supervised the auditors to follow the audit schedule in order to ensure the audit could be completed on time. It also considered and approved the appointment of auditors and the audit fee.

The audit committee concluded the audit performed by KPMG Huazhen Certified Public Accountants in 2008 as follows:

According to the requirements of the Document No. 48 (2008) 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. Determininination of audit schedule
It took four months from pre-auditing, which commenced at the beginning of November 2008, up till the completion of preliminary auditing for the 2008 audit. Details of the work schedule are as follows:
1) November to December 2008: Pre-audit – to perform pre-audit of new acquisitions and new markets in 2008 and selected regions based on their importance;
2） 7 January 2009: Started performing their audit in China Vanke's office. On 5 March, the first draft of the 2008 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 6 March.
ii. Review of not-yet audited financial statements
Before the auditors came in, the audit committee had reviewed, with due diligence, the financial statements prepared by the Company and provided their opinions in writing.
2. Audit process
Starting from 7 January 2009, KPMG sent five different teams (for Shenzhen, Shanghai, Hong Kong, 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 5 March 2009, KPMG submitted to the audit committee the finalised 2008 Auditor's Report for 2008 annual report and special remarks on "The Company's Internal Control Self-Assessment Report (2008) by the Board of Directors of China Vanke". On 6 March 2009, the Board meeting approved this item and the on-site audit performed by KPMG for the Company's 2008 audit completed.
3. Audit results
KPMG has issued its unqualified opinion for the 2008 Auditor's Report and special remarks on "The Company's Internal Control Self-Assessment Report (2008) by the Board of Directors of China Vanke".

The audit committee is of the opinion that the audit performance of KPMG on the Company's 2008 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 2009 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 convened two specialised committee meetings and communication meetings, and voted on one resolution by correspondence. The remuneration and nomination committee had also discussed and reviewed the following issues: the Company annual appraisal, remunerations of directors, members of the Supervisory Committee as well as senior management, and the implementation of the "Restricted Stock Incentive Plan", etc.

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

During the year under review, the investment and decision-making committee convened one meeting and considered and voted on four resolutions by correspondence. The investment and decision-making committee discussed those investment issues which required consideration and approval by the Board. The committee also examined the scope of authority to approve certain issues. The Company's major investment issues would be only submitted to the Board for consideration after they have been considered and approved by the investment and decision-making committee.

9. Profit Appropriation and Dividend Distribution Proposal

In accordance with the "Accounting Standard for Business Enterprises 2006", cost method is applied to calculate the Company's investment in its subsidiaries. Accordingly, there will be a discrepancy between the profit of the Company and the Group's consolidated profit. In accordance with the requirements of the Company Law, the profit appropriation should be made from the Company. The Company's profit appropriation in 2008 was based on the Company's profit available for appropriation.

According to PRC Accounting Standards, details on the profit available for appropriation of the Group and the Company in 2008 are as follows:

Unit: RMB

	The Group	The Company
Profit available for appropriation after taxation	7,370,792,808.42	1,803,028,317.18
Include: Net profit for 2008	4,033,170,027.89	1,582,019,762.35
Profit available for appropriation at the beginning of the year	4,032,906,217.68	916,291,991.98
Allocation of dividend for 2007	(687,200,638.70)	(687,200,638.70)

According to the relevant rules and requirements of the Company's Articles of Association, and considering shareholders' interests and the Company's development requirements in the long run, the Board of the Directors submitted to the shareholders meeting the following profit appropriation proposal for the year 2008:

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 fund;
4. the remaining unappropriated profit will be brought forward to the following year.

The appropriation of the profit available for appropriation for the year 2008 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 2008	1,582,019,762.35	100%	39.23%
Transfer to statutaory surplus reserve	158,201,976.23	10%	3.92%
Transfer to discretionary surplus reserve	1,028,312,845.53	65%	25.50%
Transfer to dividend distribution fund	395,504,940.59	25%	9.81%
Profit available for appropriation at the beginning of the year	221,008,554.83	-	-
Distribution of cash dividend for 2008	549,760,510.90	34.75%	13.63%
Retained profit for appropriation for the following financial year	66,752,984.52	-	-

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's equity shareholders	Consolidated net profit attributable to the Company's equity shareholders	As a percentage of the net profit attributable to the Company's equity shareholders	As a percentage of the consolidated net profit attributable to the Company's equity shareholders
2007	687,200,638.70	1,727,621,268.51	4,844,235,494.21	39.78%	14.19%
2006	649,427,190.90	2,297,883,766.18	2,297,883,766.18	28.26%	28.26%
2005	591,747,769.65	1,364,689,853.78	1,364,689,853.78	43.36%	43.36%

Dividend distribution proposal： A cash dividend of RMB0.5 (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 2008, the total amount of cash dividends for distribution for 2008 will be RMB549,760,510.90.

10． **Media for Disclosure of Information**

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

IX. Report of Supervisory Committee

2008 was full of changes and certainly a year to remember.

Due to drastic changes and adjustments in the overall economy and property industry during the year, the Supervisory Committee had strengthened the Company's internal risk control and improved its own organisational structure. With the formation of its own office, the Supervisory Committee is in a better position and is more capable of performing their duties of supervision. 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 2008, a total of four meetings were held by the Supervisory Committee. The details of the meetings and resolutions are as follows:

（1）The 5th Meeting of the 6th Supervisory Committee was held on 19 March 2008. The meeting considered and approved the Report of the Supervisory Committee for the year 2007; considered and confirmed the Company's 2007 Auditor's Report; internal control self-assessment report for the year 2007; the Company's proposals on profit appropriation, dividend distribution and the transfer of capital surplus reserve to share capital for the year 2007; the resolution regarding the appropriation and write-off of the provision for diminution in asset value for the year 2007; the Company's 2007 annual report and its summary; the resolution regarding the appointment of auditors for the year 2008; the resolution regarding the adjustment to the remuneration of the directors and the members of the Supervisory Committee.

（2）The 6th Meeting of the 6th Supervisory Committee was held on 23 April 2008. The meeting considered and confirmed the Company's 2008 first quarterly report.

（3）The 7th Meeting of the 6th Supervisory Committee was held on 1 August 2008. The meeting considered and confirmed the Company's 2008 interim report, financial statements and the summary of the interim report; the resolution regarding the proposals of no profit appropriation and transfer of capital surplus reserve to share capital for the 2008 interim period; considered and approved the report on no capital used for non-operation purpose by major shareholder or its connected parties.

（4）The 8th Meeting of the 6th Supervisory Committee was held on 24 October 2008. The meeting considered and confirmed the Company’s 2008 Third Quarterly Report.

2. Inspection tours by the Supervisory Committee

To strengthen control over internal risks in response to market changes, in 2008 the Supervisory Committee paid more site-visits to and intensified inspection of all levels of subsidiaries and projects. During the year, the Supervisory Committee conducted inspection tours to 22 front-line companies and examined 39 project sites. Through on-site investigation, individual interviews, group meetings, the Supervisory Committee had inspected and supervised various aspects including the implematation of the Company’s development strategy,, on-site management, self-regulation of management staff of front-line companies, protection of employees’ interests, implementation of “Labour Contract Law”, progress of the development of internal control system, and the reform on property.

The Supervisory Committee further arranged inspection tours for certain Directors to companies in Dongguan, Nanjing, Chengdu, Shenyang, 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 knowledge 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 2008, 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 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 audit opinions of the Company’s financial report from KPMG Huazhen Certified Public Accountants and KPMG Certified Public Accountants are prudent and non-biased.

(3) Use of proceeds from fund raising exercises: Through reviewing financial statements, inspecting investment projects, etc, the Supervisory Committee followed and inspected the use of proceeds raised from the private placing of A shares in 2006, 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 actual investments in various projects were in line with the amount earmarked for use in the designated investment projects, and there had been no change in the investment projects. Regarding the use of part of the proceeds raised in 2007 for special projects to temporarily strengthen working capital and the change in the use of part of the proceeds from “Vanke CB2”, the Supervisory Committee is of the opinion that the decision-making process has complied

with the law and the related actions are favourable for enhancing the efficiency of the use of raised proceeds, which is in the interest of the shareholders.

(4) Implementation of the Restricted Stock Incentive Plan：After careful verification of the list of beneficiaries of the 2006 Restricted Stock Incentive Plan, the Supervisory Committee is of the opinion that the allotment policy of the Company’s 2006 Restricted Stock Incentive Plan complies with the requirements. The beneficiaries of this incentive plan have a legitimate and valid qualification. The Supervisory Committee agrees with the vesting of the 2006 Restricted Stock Incentive Plan.

(5) Major asset acquisitions and disposals as well as connected transactions: In 2008, the Company did not have any major asset acquisitions and disposals, nor any connected transactions.

(6) Senior management of the Company gave up their year-end bonus for 2008. The Supervisory Committee praised the Company’s senior management for voluntarily giving up their year-end bonus in response to the 2008 financial crisis, which indicated their readiness to ride out the difficult time with the shareholders.

The Supervisory Committee will not swerve in the face of continued uncertainty in 2009. It will instead brave any challenges in order to live up to its values.

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 the 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.

Pursuant to the authorisation of the beneficiaries, the Company appointed an independent third party, Shenzhen International Trust & Investment Co., Ltd. (“Shenzhen Trust”) as the Company’s trustee for Phase One Incentive Plan. Shenzhen Trust established three independent trusts for the management of the three relatively independent incentive plans for the year 2006, 2007 and 2008 respectively. Up till now, the Company has appropriated RMB215,463,931.52 and RMB484,423,549.42 for the 2006 incentive fund and 2007 incentive fund respectively, and pre-appropriated RMB763,905,518.41 for the 2008 incentive fund according to the requirements of Phase One Incentive Plan. Shenzhen Trust has already used all the money in the incentive funds to purchase the Company's A shares.

Since the Company's net profit after deducting extraordinary gains/(losses) for the year 2008 was 15.61 per cent less than that of 2007, it did not meet the prescribed business performance objective for 2008 incentive plan, and hence the 2008 incentive plan could not be implemented. The shares bought by using the advanced appropriation for 2008 incentive fund will be sold on the market within a specified period after the issue of the announcement regarding the confirmation of the termination of the 2008 incentive plan. The proceeds from the sale of shares will be returned to the Company.

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

During the year under review, according to the requirements of Phase One Incentive Plan and the Company's actual operating results in 2007, the supplementary appropriation for the 2007 incentive fund was RMB243,140,599.90 and the advanced appropriation for the 2008 incentive fund was RMB763,905,518.41.

According to the requirements of Phase One Incentive Plan and the Company's actual operating results, the Company made an appropriation of RMB215,463,931.52 for the 2006 incentive fund and an advanced appropriation of RMB241,282,949.52 for the 2007 incentive fund in 2006 and 2007 respectively. For details, please refer to the Company's 2006 and 2007 annual reports.

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

All the incentive shares under Phase One Incentive Plan have been purchased by Shenzhen Trust, the independent trustee, from the secondary market using the incentive funds as authorised by the beneficiaries.

On 2 June 2008, Shenzhen Trust informed the Company in writing that: the supplementary appropriation for 2007 incentive fund was used to purchase 11,533,195 China Vanke A shares from the secondary market, while the advanced appropriation for 2008 incentive fund was used to purchase 37,804,258 shares.

On 16 June, the Company implemented the proposals on dividend distribution and transfer of capital surplus reserve to share capital for the year 2007. After the transfer of capital surplus reserve to share capital, the A shares of China Vanke held by 2006 incentive fund, 2007 incentive fund and 2008 incentive fund amounted to 61,022,670 shares, 46,020,261 shares and 60,486,813 shares respectively. Meanwhile, the 2006 incentive fund, 2007 incentive fund and 2008 incentive fund under Phase One Incentive Plan were entitled to dividends of RMB3,813,916.90, RMB2,876,266.30 and RMB3,780,425.80 respectively.

According to the notice from Shenzhen Trust on 4 July 2008, the dividends had been used to purchase China Vanke A shares from the secondary market. The additional shares purchased using the dividends for 2006 incentive fund, 2007 incentive fund, and the pre-appropriated 2008 incentive fund were 424,700 shares, 321,500 shares and 439,007 shares.

Since the business performance targets and stock price conditions for 2006 incentive plan under Phase One Incentive Plan have been met, the 61,447,370 A shares of China Vanke held by 2006 incentive fund have been transferred to the share accounts of the beneficiaries of the incentive plan according to the plan. As at the end of 2008, the A shares of China Vanke held by 2007 incentive fund and pre-appropriated 2008 incentive fund amounted to 46,341,761 shares and 60,925,820 shares.

(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. The Company has established a complete performance appraisal system based on the balanced scorecard, and the system works well. The review covers different aspects, including financial, customer, internal procedure, and staff training and development. The Company has established objective benchmarks to measure the performance in each of the categories.

The Company's Phase One Incentive Plan has determined the scope of qualified beneficiaries. There had not been any change in the scope of qualified beneficiaries during the year under review.

（5）Implementation of the 2006 incentive plan

According to the Company's 2006 audit report (KPMG-[C] (2007) AR NO.0041) issued by KPMG Huazhen Certified Public Accountants, the Company's net profit after deducting extraordinary gains/(losses) for 2006 increased by 54.68 per cent from that of 2005, while fully diluted return on net assets was 13.89 per cent and fully diluted earnings per share rose by 31.77 per cent, which met the business performance targets of 2006 incentive plan.

Taking 1 January 2006 as the base day, the average closing price of China Vanke A shares in 2006 after ex-right price backward adjustment was RMB7.10, while the average closing price of China Vanke A shares in 2007 after ex-right price backward adjustment was RMB33.81, thereby achieving the share price conditions set for the 2006 incentive plan.

After the Board's consideration and confirmation, the conditions for transferring shares into the share accounts of beneficiaries of the 2006 incentive plan had been met.

Since the business performance targets and stock price conditions of the 2006 incentive plan had been met, while the qualifications of different groups of beneficiaries had been confirmed by the President and the Board, filed to the remuneration and nomination committee and verified by the Supervisory Committee, the incentive shares of the 2006 incentive plan were transferred to the share accounts of the beneficiaries on 11 September 2008. The actual number of shares transferred to the share accounts of the beneficiaries was 54,609,969 shares. The remaining 6,837,674 China Vanke A Shares had been sold on the secondary market in accordance with the relevant requirements. The proceeds from the sale of the shares will be used to pay the personal tax and other expenses of the beneficiaries of the incentive plan. The remaining balance after paying the relevant tax and expenses will be returned to the beneficiaries by way of cash. The implementation of the 2006 incentive plan had been completed.

(6) Progress of 2007 Incentive Plan

The Company has already appropriated the 2007 incentive fund of RMB484,423,549.42, in accordance with the requirements of Phase One Restricted Stock Incentive Plan. As at the end of the year under review, a total of 46,341,761 A shares of China Vanke were held by the 2007 incentive plan.

According to the Company's 2007 Auditors' Report (KPMG-C (2008) AR NO. 0108) issued by KPMG Huazhen Certified Public Accountants, the Company's net profit after deducting extraordinary gains/or loss for 2007 was RMB4,790,833,311.17, representing an increase of 116.67% from that of 2006, and fully diluted return on net assets was 16.36%, and fully diluted earnings per share increased by 106.75%. These results met the business performance targets of 2007 Incentive Plan.

Taking 1 January 2007 as the base day, the average closing price of China Vanke A shares in 2007 after ex-right price backward adjustment was RMB33.66, while the average closing price of China Vanke A shares in

2008 after ex-right price backward adjustment was RMB25.79, which did not meet the share price conditions set for the 2007 incentive plan.

Pursuant to the requirements of Phase One Restricted Stock Incentive Plan, the 2007 Incentive Plan has entered the supplementary vesting period. At the beginning of 2010, if the average closing price of China Vanke A shares in 2009 after ex-right price backward adjustment is higher than the average closing price of China Vanke A shares in 2007 after ex-right price backward adjustment, the shares held by the 2007 incentive plan can be transferred to the beneficiaries' accounts. However, if the share price conditions could not be met, the 2007 Incentive Plan has to be terminated, and the shares held by the 2007 incentive plan will be sold on the market within a specified period after the issue of the announcement regarding the confirmation of the termination of the 2007 incentive plan. The proceeds from the sale of shares will be returned to the Company.

（7）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 has 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 and increase 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; 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" and increase capital reserve.

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The Phase One Incentive Plan uses the Monte Carlo Simulation method to assess the fair value of incentive plan of each year. The fundamental assumption of the assessment is that the change in stock price follows the Geometric Brownian Motion, $\frac{\Delta s}{s} = \mu\Delta t + \sigma\varepsilon\sqrt{\Delta t}$, of which: s is simulated stock price, μ is the expected return of the stock, σ is the volatility of stock price, ε is random sample from standard normal distribution. In the simulation, time step Δt was set at 0.01 year, and 10,000 future stock price tracks were created to calculate the average closing price of comparative years, in order to determine the fair value of the incentive plan of different years.

Pursuant to the assessment report of the Phase One Incentive Plan, the fair value of 2006 incentive fund and 2007 incentive fund was RMB218,690,000.00 (assessment parameters: s2006=5.97， μ2006= 0.35， σ2006=0.30) and RMB470,000,000.00 (assessment parameters: s2007=6.81， μ2007= 0.5106， σ2007= 0.6232) respectively.

The incentive fund for every year is amortised using the straight line method during the waiting period of each incentive plan. Of the amortisation amount of 2006 incentive fund, RMB80,569,999.99 was recognised as administrative expenses in the year 2006 and RMB138,120,000.00 was recognised as administrative expenses in the year 2007. The 2006 incentive fund had been fully amortised. Of the amortisation amount of 2007 incentive fund, RMB235,000,000.00 was recognised as administrative expenses in the year 2007. A total amount of RMB373,120,000.00 from the 2006 incentive fund and 2007 incentive fund was recognised as administrative expenses in the year 2007.

Of the amortisation amount of 2007 incentive fund, RMB235,000,000.00 was recognised as administrative expenses in the year 2008, and the amount was shown in the "capital reserve —stock incentive reserve".

Since the business performance targets of 2008 incentive plan have not been reached, the 2008 incentive plan cannot be implemented, and RMB763,905,518.41 of the 2008 incentive fund will not be amortised. The shares bought by this part of incentive fund will be sold on the market within a specified period after the issue of the announcement regarding the confirmation of the termination of the 2008 incentive plan. The proceeds from the sale of shares will be returned to the Company, and therefore will increase the Company's capital reserve. However, as the price at which the shares will be sold remains uncertain, the amount of increase in capital reserve in the future may differ from the amount of decrease in capital reserve in 2008 due to the advanced appropriation of 2008 incentive fund. Matters relating to this may have certain impact on the Company's capital reserve, but will not affect the Company's profit and loss.

For details of the accounting treatment for the Phase One Incentive Plan, please refer to Note 31 – Capital Reserve and Note 48 – Employee Incentive Plan to the Accounting Report in the appendix.

The implementation of the Restricted Stock Incentive Plan promotes the establishment of a control mechanism between the shareholders and management team that is built upon common interests, and further optimises the Company's corporate governance structure, helps the Company to attract and retain high-calibre talents, enhances the Company's competitiveness, and ensures the Company's long-term stable development.

5. Major contracts and their implementation

（1）During the year under review, the Company did not put 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 custodial management, 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.	Shenyang Vanke Yongda Real Estate Development Company Limited (49%) (沈阳万科永达房地产开发有限公司)	RMB49 million	Provided a guarantee in proportion to the Company's equity holding (49%) for a bank loan of RMB100 million	16 April 2008 to 30 October 2009
2	China Vanke Co., Ltd.	Shenyang Vanke Yongda Real Estate Development Company Limited (49%)	RMB34.3 million	Provided a guarantee in proportion to the Company's equity holding (49%) for a bank loan of RMB70 million	28 April 2008 to 30 October 2009

3	Beijing Vanke Enterprises Company Limited (100%)	Beijing Jinyu Vanke Real Estate Development Company Limited (49%) (北京金隅万科房地产开发有限公司)	RMB68.6 million	Provided a guarantee in proportion to the Company's equity holding (49%) for a bank loan of RMB140 million	22 May 2008 to 31 January 2009
4	Beijing Vanke Enterprises Company Limited (100%)	Beijing Jinyu Vanke Real Estate Development Company Limited (49%)	RMB45.19 million	Provided a guarantee in proportion to the Company's equity holding (49%) for a bank loan of RMB92.22 million	1 June 2008 to 30 April 2009
5	Beijing Vanke Enterprises Company Limited (100%)	Beijing Jinyu Vanke Real Estate Development Company Limited (49%)	RMB9.33million	Provided a guarantee in proportion to the Company's equity holding (49%) for a bank loan of RMB19.05 million\	1 July 2008 to 31 August 2009
6	Beijing Vanke Enterprises Company Limited (100%)	Beijing Jinyu Vanke Real Estate Development Company Limited (49%)	RMB3.76 million	Provided a guarantee in proportion to the Company's equity holding (49%) for a bank loan of RMB7.68 million	1 August 2008 to 31 August 2009
7	Beijing Vanke Enterprises Company Limited (100%)	Beijing Jinyu Vanke Real Estate Development Company Limited (49%)	RMB2.80million	Provided a guarantee in proportion to the Company's equity holding (49%) for a bank loan of RMB5.72 million	1 October 2008 to 31 August 2009
8	Beijing Vanke Enterprises Company Limited (100%)	Beijing Jinyu Vanke Real Estate Development Company Limited (49%)	RMB9.63 million	Provided a guarantee in proportion to the Company's equity holding (49%) for a bank loan of RMB19.66 million	13 November 2008 to 31 August 2009
9	Beijing Vanke Enterprises Company Limited (100%)	Beijing Jinyu Vanke Real Estate Development Company Limited (49%)	RMB56.68 million	Provided a guarantee in proportion to the Company's equity holding (49%) for a bank loan of RMB115.67 million	28 November 2008 to 31 December 2009
10	Tianjin Vanke Real Estate Co., Ltd. (100%)	Tianjin Binhai Modern Real Estate Co., Ltd. (100%) (天津滨海时尚置业有限公司)	RMB100 million	Provided a guarantee for a trust loan of RMB100 million	30 April 2008 to 29 April 2009

11	Wuhan Vanke Real Estate Co., Ltd. (100%)	Wuhan Vanke Tiancheng Real Estate Co., Ltd. (55%) (武汉万科天诚房地产有限公司)	RMB100 million	Provided a guarantee for a bank loan of RMB100 million	22 February 2008 to 22 January 2010
12	Zhejiang Vanke Nandu Real Estate Co., Ltd. (100%)	Hangzhou Xihu International Golf Club Company Limited (0%) (杭州西湖国际高尔夫乡村俱乐部有限公司)	RMB22.36 million	Provided a counter guarantee for a bank guarantee of RMB22.36 million	Guarantee withdrawn
13	Zhejiang Nandu Property Co., Ltd (100%)）	Hangzhou Wankun Co., Limited (51%) (杭州万坤置业有限公司)	RMB12.90million	Provided a counter guarantee in proportion to the Company's equity holding (51%) for a bank loan of RMB25.29 million	9 May 2008 to 5 May 2009
14	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Shenzhen Yili Real Estate Development Co., Ltd. (78.4%) (深圳市易理房地产开发有限公司)	RMB165 million	Provided a guarantee for a bank loan of RMB165 million	1 June 2008 to 5 April 2009
15	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Shenzhen Yili Real Estate Development Co., Ltd. (78.4%)	RMB5 million	Provided a guarantee for a bank loan of RMB5 million	19 June 2008 to 5 April 2009
16	Shenzhen Vanke Real Estate Co., Ltd. (100%)	Shenzhen Yili Real Estate Development Co., Ltd. (78.4%)	RMB10 million	Provided a guarantee for a bank loan of RMB10 million	25 July 2008 to 5 April 2009
17	China Vanke Co., Ltd.	Wuxi Vanke Real Estate Co., Ltd. (60%)	RMB30 million	Provided guarantee in proportion to the Company's equity holding (60%) for a loan of RMB50 million	8 July 2008 to 7 July 2009
18	China Vanke Co., Ltd.	Wuxi Vanke Real Estate Co., Ltd. (60%)	RMB60 million	Provided guarantee in proportion to the Company's equity holding (60%) for a loan of RMB100 million	8 July 2008 to 7 January 2010
19	China Vanke Co., Ltd.	Wuxi Vanke Real Estate Co., Ltd. (60%)	RMB30 million	Provided guarantee in proportion to the Company's equity holding (60%) for a loan of RMB50 million	8 July 2008 to 7 December 2010

20	Shenyang Vanke Hunnan Jinyu Real Estate Co., Ltd. (100%) 沈阳万科浑南金域房地产开发有限公司	Shenyang Paradiso Real Estate Development Co., Ltd (100%) 沈阳万科金域蓝湾房地产开发有限公司	RMB300 million	Provided a guarantee for a bank loan of RMB300 million	12 December 2008 to 11 December 2010
21	China Vanke Co., Ltd.	Fuyang Vanke Real Estate Development Co., Ltd (100%) 富阳万科房地产开发有限公司	RMB400 million	Provided a guarantee for a bank loan of RMB400 million	26 December 2008 to 25 December 2010
22	China Vanke Co., Ltd.	Tianjin Xinghai Real Estate Co., Ltd(55%) (天津兴海房地产开发有限公司)	RMB27.50 million	Provided guarantee in proportion to the Company’s equity holding (55%) for a loan of RMB50 million	20 August 2008 to 19 August 2009
23	Zhejiang Vanke Nandu Real Estate Co., Ltd. (100%)	Fuyang Vanke Real Estate Development Co., Ltd (100%)	RMB170 million	Provided a guarantee for a bank loan of RMB170 million	5 September 2008 to 10 May 2009

During the year under review, the new amount of guarantees (including counter guarantees) made by the Company and its subsidiaries was RMB1,712 million, and the amount of guarantees withdrawn was RMB1,335 million. As at the end of the year under review, the outstanding amount of guarantees made by the Company was RMB2,221 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 6.96 per cent of the Company’s net assets. The outstanding amount of bank loan guarantees made by the Company and its majority-owned subsidiaries for other majority-owned subsidiaries was RMB1,807 million, the outstanding amount of bank loan guarantees made by the Company and its majority-owned subsidiaries for associated and joint venture companies was RMB414 million. The Company and its majority-owned subsidiaries did not have any outstanding amount of 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 the “Project investment” of the “Use of capital not from the capital market” contained in this report.

6. 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.

Under the Company's non-tradable share reform, CRC had undertaken not to trade or transfer its non-tradable shares within the 12-month period from the date on which such non-tradable shares were granted the right to list on the stock exchange. After the expiry of the 12-month period, the original non-tradable shares could be sold through trading on the stock exchange. The amount of shares to be sold shall not exceed five per cent and 10 per cent of the Company's total issued shares during the respective periods of 12 months and 24 months. In addition, the selling price shall not be less than 120 per cent of the exercise price of the put warrant (the selling price will be adjusted during the statutory share disposal restriction period and according to the adjustment methods for the exercise price of the put warrant). CRC had strictly abided by the aforesaid 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.

7. Interaction with investors

The Company has always paid high regard to its investor relations and strives to enhance its transparency. In 2008, the Company has strengthened its interaction with investors. The Company received a number of investor visits and frequently participated in institutional investors meetings. Investors also actively participated in the Company's activities. During the year, the Company received over 530 investors visits, participated in 60 large-scale investor forums of both domestic and international corporations. The Company also organised six investor forums, three visits to institutional investors, and three online presentations.

In addition, telephone and e-mail are important means of communication used by the Company to communicate with the general investors. By being patient during the process of communication and attentive to investors' views, disclosing information on the Company, the Company has boosted confidence with its investors.

During the year under review, the Company received the "100 Companies with Best Investor Relations Management" award, the event of which was supervised by both the Shanghai Stock Exchange and Shenzhen Stock Exchange, and jointly organised by the China Investor Relations Research Centre, for the fourth consecutive year. The Company was also given the "Best Board Secretary" award. In the 4th "New Fortune Golden Board Secretary" selection, the Company's Board Secretary was named again as the No. 1 Golden Board Secretary.

Details on the Company's investor meetings in 2008:

Type of meeting	Date	Location	Approach	Classification of visitors	Issues discussed and information provided
United Securities meeting	2008.1	Xiamen	Face to Face Meeting	Securities companies, funds, investors	(I) Major issues discussed: (1) The Company's daily operations; (2)The Company's developmen
CLSA meeting	2008.1	Hong Kong	Face to Face Meeting	Securities companies, funds, investors	
Deutsche Bank meeting	2008.1	Beijing	Face to Face Meeting	Securities companies, funds, investors	
UBS meeting	2008.1	Shanghai	Face to Face Meeting	Securities companies, funds, investors	

CITIC Securities meeting	2008.1	Dongguan	Face to Face Meeting	Securities companies, funds, investors	t strategies; (3)The Company’s opinion on the changes in the industry. (II) Major information provided: Published information including the Company’s regular reports and announcements.
CLSA meeting	2008.3	Hong Kong	Visit	Securities companies, funds, investors	
Annual results presentation	2008.3	Hong Kong, Shenzhen, Shanghai, Beijing	Face to Face Meeting	Securities companies, funds and individual investors, etc.	
Credit Suisse meeting	2008.4	Hong Kong	Face to Face Meeting	Securities companies, funds, investors	
JP Morgan meeting	2008.4	Singapore	Visit	Securities companies funds, investors	
JP Morgan meeting	2008.4	Beijing	Face to Face Meeting	Securities companies, funds, investors	
China Merchants Securities meeting	2008.4	Shenzhen	Face to Face Meeting	Securities companies, funds, investors	
Guotai Junan meeting	2008.5	Shenzhen	Face to Face Meeting	Securities companies, funds, investors	
CLSA meeting	2008.5	Shanghai	Face to Face Meeting	Securities companies, funds, investors	
Shenyin Wanguo meeting	2008.5	Wuhan	Face to Face Meeting	Securities companies, funds, investors	
Daiwa Securities meeting	2008.5	Japan	Face to Face Meeting	Securities companies, funds, investors	
Deutsche Bank meeting	2008.5	Hong Kong	Face to Face Meeting	Securities companies, funds, investors	
Macquarie meeting	2008.5	Guangzhou	Face to Face Meeting	Securities companies funds, investors	
CITIC Securities meeting	2008.6	Beijing	Face to Face Meeting	Securities companies, funds, investors	
Everbright Securities meeting	2008.6	Shanghai	Face to Face Meeting	Securities companies, funds, investors	
Ping An Securities meeting	2008.6	Shenzhen	Face to Face Meeting	Securities companies, funds, investors	
Haitong Securities meeting	2008.6	Shanghai	Face to Face Meeting	Securities companies, funds, investors	
Orient Securities meeting	2008.6	Shanghai	Face to Face Meeting	Securities companies, funds, investors	

Essence Securities meeting	2008.6	Shanghai	Face to Face Meeting	Securities companies, funds, investors	
Guosen Securities meeting	2008.6	Kunming	Face to Face Meeting	Securities companies, funds, investors	
JP Morgan meeting	2008.6	Hong Kong	Face to Face Meeting	Securities companies, funds, investors	
China Jianyin Investment Securities meeting	2008.6	*Shenzhen*	Face to Face Meeting	Securities companies, funds, investors	
CLSA meeting	2008.7	Hong Kong	Face to Face Meeting	Securities companies, funds, investors	
Morgan Stanley meeting	2008.7	Hong Kong	Face to Face Meeting	Securities companies, funds, investors	
Sinolink Securities meeting	2008.7	Sanya	Face to Face Meeting	Securities companies, funds, investors	
CICC meeting	2008.7	Shanghai	Face to Face Meeting	Securities companies, funds, investors	
China Merchants Securities meeting	2008.7	Shenzhen	Face to Face Meeting	Securities companies, funds, investors	
Interim results presentation	2008.8	Hong Kong	Face to Face Meeting	Securities companies, funds, investors	
Interim results presentation	2008.8	Shenzhen（Beijing, Shanghai）	Face to Face Meeting	Securities companies, funds, investors	
JP Morgan meeting	2008.8	Hong Kong	Face to Face Meeting	Securities companies, funds, investors	
CLSA meeting	2008.8	Hong Kong	Face to Face Meeting	Securities companies, funds, investors	
China Merchants Securities meeting	2008.9	Shenzhen	Face to Face Meeting	Securities companies, funds, investors	
CLSA meeting	2008.9	Singapore	Face to Face Meeting	Securities companies, funds, investors	
UBS meeting	2008.9	Hong Kong	Face to Face Meeting	Securities companies, funds, investors	
CLSA meeting	2008.9	Hong Kong	Face to Face Meeting	Securities companies, funds, investors	
Merrill Lynch meeting	2008.10	Beijing	Face to Face Meeting	Securities companies, funds, investors	
Macquarie meeting	2008.10	London、New York	Face to Face Meeting	Securities companies, funds, investors	
BNP meeting	2008.10	Hangzhou	Face to Face Meeting	Securities companies, funds, investors	

JP Morgan meeting	2008.10	Hong Kong	Face to Face Meeting	Securities companies, funds, investors	
Goldman Sachs meeting	2008.11	Beijing	Face to Face Meeting	Securities companies, funds, investors	
Credit Suisse meeting	2008.11	Beijing	Face to Face Meeting	Securities companies, funds, investors	
Industrial Securities meeting	2008.11	Shanghai	Face to Face Meeting	Securities companies, funds, investors	
Shenyin Wanguo meeting	2008.11	Beijing	Face to Face Meeting	Securities companies, funds, investors	
Changjiang Securities meeting	2008.11	Shanghai	Face to Face Meeting	Securities companies, funds, investors	
CLSA meeting	2008.12	Hong Kong	Face to Face Meeting	Securities companies, funds, investors	
CITIC Securities meeting	2008.12	Nanjing	Face to Face Meeting	Securities companies, funds, investors	
CICC meeting	2008.12	Shanghai	Face to Face Meeting	Securities companies, funds, investors	
Guosen Securities meeting	2008.12	Tianjin	Face to Face Meeting	Securities companies, funds, investors	
Guotai Junan meeting	2008.12	Haikou	Face to Face Meeting	Securities companies, funds, investors	
Sinolink Securities meeting	2008.12	Shanghai	Face to Face Meeting	Securities companies, funds, investors	
Greatwall Securities meeting	2008.12	Shenzhen	Face to Face Meeting	Securities companies, funds, investors	
China Jianyin Investment Securities meeting	2008.12	Shenzhen	Face to Face Meeting	Securities companies, funds, investors	
Essence Securities meeting	2008.12	Beijing	Face to Face Meeting	Securities companies, funds, investors	
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, Shanghai, Beijing, Tianjin, Ningbo, Wuhan Guangzhou, Chengdu, Nanjing, Hangzhou, Dongguan, Dalian, Wuxi, Changsha, Zhuhai	Small group or one-on-one	Daiwa Securities, CITI, JP Morgan, Industrial Securities, Shenyin Wanguo,Shanghai Securities, CICC, Morgan Stanley, Guosen Securities, CLSA,United Securities, Goldman Sachs Gaohua, Orient Securities, Shinyoung Securities of Korea (韩国信荣证券), Changjiang Securities, Merrill Lynch, Ping An Securities, Daewoo Securities, Bohai Securities, UBS, Credit Suisse, Deutsche Bank, Haitong Securities, Nanjing Securities, First Shanghai Securities of Hong Kong, Nomura Securities, Macquarie, Guotai Junan, Goldman Sachs, China Merchants Securities, Guangzhou Securities, Everbright Securities, CITIC Securities, BOC International , BNP, etc	

Fund and other investment companies and individual investors	During the year under review	Shenzhen, Shanghai, Beijing, Tianjin, Ningbo, Wuhan, Guangzhou, Chengdu, Nanjing, Hangzhou, Suzhou, Dongguan, Dalian, Wuxi, Changsha, Shenyang, Zhuhai	Small group or one-on-one	Tiger Asia, Daiwa Asset Management (H.K.) Ltd., Kylin, Sansar Capital, Blackstone, UBS Asset Mgmt, Morgan Stanley Inv Mgmt, GIC, Bank of China Investment, Liu Yufeng, Guo Qun, Ma Jun, Zheng Yu, E Fund, Rongtong Fund, China Universal Fund, Invesco Great Wall, ICBC Credit Suisse, Harvest Fund, Yinhua Fund, Changsheng Fund, China AMC, Fortune SGAM, China Merchants Fund, Guotai Fund, Penghua Fund, China International Fund, AIG Huatai, Baoying Fund, Bank of Communications Schroder Fund, Hua An Fund, Southern Fund, Guangfa Fund, Bosera Fund, Dacheng Fund, Taikang Asset, Cephei Investments, [Pacer Investment Management, Brevan Howard、Boyer Allan、Marsico Capital Management、Joho Capital、Threadneedle Asset Management、RBS (ABN Amro)、Absolute Asia、HQ Bank (Sweden)、Norges Bank、Tokyo DLIBJ (DIAM) Asset Management、France ADEMUS、Putnam Investments、Polygon Investment、Highbridge Capital Management LLC、Rovida Asset、Partner Funds、AllianceBerstein、Standard Life Investment、Friedman, Billings and Ramsey、Soros Fund Management、Value Partners Ltd、Criterion Capital Management LLC、Ivory Capital、GE Asset Management， etc	

8. Corporate bond 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 amount of the payment of principal and interests on 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, there was no significant change in the Company's credit standing. As at the end of the year, the Company's total debt ratio was 67.4 per cent, which was slightly lower than that of the third quarter when the Company had just issued its corporate bonds. The Company will pay the first year interest on its corporate bonds on 7 September 2009, and such interest payment will be funded by internal resources.

Citic Securities Co., Ltd, the trustee of the Company's corporate bonds, is of the opinion that: amid consolidation of the property industry, China Vanke, the bond issuer, has a stable operation and effective control over its level of liabilities. The Company has a good credit standing, with strong capacity to meet its financial obligation. The principle and interests on this bond issue are therefore safe.

9. Other investments

9.1 Investment of securities

No.

9.2 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 attributableto equity holders during the year under review
000001	Shenzhen Development Bank Co., Ltd – A	11,582,347.80	0.10%	28,511,683.20	-	-59,002,876.80
600697	Changchun Eurasia Group Co., Ltd	5,070,000.00	1.18%	27,150,769.70	-	-20,687,195.46
600680	Shanghai Potevio Co., Ltd.	8,722,080.97	1.41%	24,133,759.46	703,904.47	-28,687,966.91
600751	S*ST Tianjin Marine Shipping Co., Ltd.	143,600.00	0.04%	143,600.00		-
600329	Tianjin Zhongxin Pharmaceutical Group Corporation Limited	306,000.00	-	-	601,532.94	-723,985.98
Total		25,824,028.77	-	79,939,812.36	1,305,437.41	-109,102,025.

Note：

1. The above-mentioned equity interests are legal person shares of the Company over the years. Up till now, the S*ST Tianjin Marine Shipping Co., Ltd has not undergone share reform, and Changchun Eurasia Group Co., Ltd is still subject to a lock-up period;

2. During the year under review, the equity interests held in Tianjin Zhongxin Pharmaceutical Group Corporation Limited by the Company had been disposed. Gains from the disposal of the equity interests have been booked into the “investment income” for the year under review. The change in fair value of other equity interests at the end of the year under review reduced the “tradable financial assets”, and also reduced “capital reserve”.

9.3 Shareholding of non-listed financial corporations and possible listed companies
No.

10. 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.

11. Appointment and termination of certified public accountants

The 2007 Annual General Meeting resolved to confirm that KPMG Huazhen Certified Public Accountants as the Company’s auditors for the year 2008. The following table shows the details on the appointment of the certified public accountants of the Company:

<table>
<tr><th rowspan="2">Audited item</th><th colspan="2">2008</th><th rowspan="2">Year of service</th><th colspan="2">2007</th></tr>
<tr><th>Auditor</th><th>Audit fee</th><th>Auditor</th><th>Audit fee</th></tr>
<tr><td>The Group’s consolidated financial report prepared in accordance with the PRC GAAP</td><td rowspan="2">KPMG Huazhen Certified Public Accountants</td><td rowspan="2">RMB7,500,000.00</td><td>8 years</td><td>KPMG Huazhen Certified Public Accountants</td><td>RMB3,500,000.00</td></tr>
<tr><td>The Group’s consolidated financial report prepared in accordance with the IFRS</td><td>16 years</td><td>KPMG Certified Public Accountants</td><td>RMB2,000,000.00</td></tr>
</table>

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

12. No disciplinary action was taken against the Company and the Company’s Directors, members of Supervisory Committee and senior management during the year under review.

XI. Chronology of 2008

On 5 June 2008, the First Special General Meeting of 2008 approved the resolution regarding the unconditional donation of RMB100 million to participate in the resettlement and reconstruction works in the affected area following the Sichuan earthquake.

In July 2007, “Wanhui Building” project, as a prototype for residential housing target at the low to middle income family group, was ready for occupation.

On 18 September 2008, the RMB5.9 billion corporate bonds issued by the Company became listed and started trading on the Shenzhen Stock Exchange.

On 29 October 2008, the results of the third WA Vanke Young Architect Competition, co-organised by China Vanke and “World Architecture” magazine, were announced. The theme of the competition is “The Possibility of Post-Earthquake Permanent Rural Residential Buildings”.

On 6 November 2008, China Vanke’s Shanghai Company obtained the “2008 China Quality Awards” given out by China Association for Quality, and became the only representative of the service industry to receive this honour.

On 18 December 2008, The Zhongshan City Scenery project, as a residential community project, received– "The Eighth Zhan Tianyou Civil Engineering Award."

On 31 December 2008, the main school building and hospital complex located in Zundaozhen, Mianzhu City, Sichuan, which were wholly funded by the Company, were completed and were among the first permanent public buildings funded by enterprises after the earthquake.

XII. Financial Report

China Vanke Co., Ltd.

萬科企業股份有限公司

31 December 2008

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 2008, and the consolidated income statement, the consolidated statement of recognised income and expense 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 2008, 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
9th Floor, China Resources Building
5001 Shennan East Road
Shenzhen, China

6 March 2009

Consolidated income statement for the year ended 31 December 2008

(Expressed in Renminbi Yuan)

	Note	*2008*	*2007*
Revenue	8	38,619,214,077	33,486,560,759
Cost of sales, including provision for diminution in value of properties of RMB1,230,561,038 (2007: RMB1,650,543)		(26,299,201,645)	(20,695,981,456)
Gross profit		12,320,012,432	12,790,579,303
Other income	9	77,012,468	105,081,205
Distribution costs		(1,860,350,084)	(1,194,543,702)
Administrative expenses		(1,549,020,923)	(1,787,642,499)
Other expenses	10	(142,844,134)	(65,002,399)
Profit from operating activities		8,844,809,759	9,848,471,908
Finance income	12	347,798,642	193,866,710
Finance expenses	12	(982,116,926)	(542,296,341)
Net finance costs	12	(634,318,284)	(348,429,631)
Share of profits less losses of associates	20	219,115,497	67,528,929
Share of profits less losses of jointly controlled entities	21	(9,379,634)	61,114,438
Profit before income tax		8,420,227,338	9,628,685,644
Income tax	13(a)	(3,780,358,185)	(4,311,184,826)
Profit for the year		4,639,869,153	5,317,500,818

The accompanying notes form part of these financial statements.

Consolidated income statement
for the year ended 31 December 2008 (continued)

(Expressed in Renminbi Yuan)

	Note	*2008*	*2007*
Attributable to:			
Equity shareholders of the Company		4,033,170,028	4,844,235,494
Minority interests	30	606,699,125	473,265,324
Profit for the year		4,639,869,153	5,317,500,818
Basic earnings per share	14	0.37	0.45

The accompanying notes form part of these financial statements.

Consolidated balance sheet at 31 December 2008

(Expressed in Renminbi Yuan)

	Note	*2008*	*2007*
ASSETS			
Non-current assets			
Property, plant and equipment	16	1,290,600,931	582,077,206
Investment properties	17	198,394,767	277,090,575
Construction in progress	18	188,587,023	271,270,240
Interest in associates	20	508,175,188	326,433,224
Interest in jointly controlled entities	21	1,888,809,160	2,031,523,200
Other financial assets	22	256,158,816	569,496,856
Deferred tax assets	23(a)	1,449,480,633	604,057,419
Total non-current assets		5,780,206,518	4,661,948,720
Current assets			
Inventories	24	48,111,356	63,748,758
Properties held for development	25	34,131,859,032	27,877,597,737
Properties under development	25	44,340,453,697	34,338,168,018
Completed properties for sale	25	7,890,962,140	4,654,628,030
Trade and other receivables	26	8,416,531,561	12,495,032,111
Cash and cash equivalents	27	19,978,285,930	17,046,504,584
Total current assets		114,806,203,716	96,475,679,238
TOTAL ASSETS		120,586,410,234	101,137,627,958
EQUITY			
Share capital	28	10,995,210,218	6,872,006,387
Reserves	29	22,146,755,978	22,873,182,760
Awarded Shares purchased for the Employees' Share Award Scheme	35	(1,250,040,934)	(466,541,546)
Total equity attributable to equity shareholders of the Company		31,891,925,262	29,278,647,601
Minority interests	30	6,926,624,219	4,640,875,428
TOTAL EQUITY		38,818,549,481	33,919,523,029

The accompanying notes form part of these financial statements.

Consolidated balance sheet at 31 December 2008 (continued)

(Expressed in Renminbi Yuan)

	Note	*2008*	*2007*
LIABILITIES			
Non-current liabilities			
Interest-bearing borrowings and bonds	31	14,942,136,092	16,362,079,840
Deferred tax liabilities	23(b)	1,380,487,627	1,567,060,453
Other long term liabilities	32	12,644,850	9,913,831
Provisions	34	41,729,468	37,962,953
Total non-current liabilities		16,376,998,037	17,977,017,077
Current liabilities			
Interest-bearing borrowings	31	17,866,342,910	8,593,526,904
Financial derivatives		1,694,880	20,957,112
Trade and other payables	33	43,979,207,733	37,246,428,026
Current taxation	13(c)	3,543,617,193	3,380,175,810
Total current liabilities		65,390,862,716	49,241,087,852
TOTAL LIABILITIES		81,767,860,753	67,218,104,929
TOTAL EQUITY AND LIABILITIES		120,586,410,234	101,137,627,958

Approved and authorised for issue by the board of directors on 6 March 2009.

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The accompanying notes form part of these financial statements.

Consolidated statement of recognised income and expense for the year ended 31 December 2008

(Expressed in Renminbi Yuan)

	Note	*2008*	*2007*
Exchange differences on translation of financial statements of foreign subsidiaries	29	129,508,819	137,730,285
Change in fair value of available-for-sale securities, net of related deferred tax	29	(90,154,429)	91,536,520
Net income recognised directly in equity for the year		39,354,390	229,266,805
Profit for the year		4,639,869,153	5,317,500,818
Total recognised income and expense for the year		4,679,223,543	5,546,767,623
Attributable to:			
Equity shareholders of the Company		4,072,524,418	5,073,502,299
Minority interests		606,699,125	473,265,324
Total recognised income and expense for the year		4,679,223,543	5,546,767,623

The accompanying notes form part of these financial statements.

Consolidated cash flow statement for the year ended 31 December 2008

(Expressed in Renminbi Yuan)

	Note	*2008*	*2007*
Cash flows from operating activities			
Cash receipts from customers		42,783,256,973	44,712,799,355
Cash paid to suppliers		(30,218,067,735)	(46,171,068,846)
Cash paid to and for employees		(2,319,451,076)	(1,107,413,006)
Cash paid for other taxes		(3,233,320,498)	(2,460,169,045)
Cash generated from other operating activities		1,478,587,996	1,251,115,827
Cash used in other operating activities		(3,895,351,267)	(4,258,426,101)
Cash generated from / (used in) operations		4,595,654,393	(8,033,161,816)
PRC Corporate Income Tax paid		(3,888,124,245)	(1,912,740,279)
Land Appreciation Tax paid		(741,681,978)	(491,813,721)
Net cash used in operating activities		(34,151,830)	(10,437,715,816)
Cash flows from investing activities			
Acquisitions of subsidiaries, net of cash acquired	6	(2,396,176,023)	(1,482,600,009)
Acquisitions of interest in associates, jointly controlled entities and other investments		(1,350,265,711)	(536,167,215)
Acquisitions of minority interests		(73,842,575)	(453,757,686)
Acquisitions of property, plant and equipment and construction in progress		(215,283,734)	(257,897,785)
Payment for acquisitions of subsidiaries in previous year		(217,036,600)	(479,027,457)
Prepayment for investments		(15,947,889)	(1,783,250,000)
Proceeds from disposals of subsidiaries	7	3,547,677	70,715,899
Proceeds from disposal of partial interest in a subsidiary		838,743,750	-
Proceeds from disposal of property, plant and equipment		5,687,794	1,008,581
Proceeds from sales of investments		201,580,207	60,714,271
Interest received		298,441,058	167,527,344
Dividends received		76,414,614	88,698,832
Net cash used in investing activities		(2,844,137,432)	(4,604,035,225)

The accompanying notes form part of these financial statements.

Consolidated cash flow statement (continued)
for the year ended 31 December 2008

(Expressed in Renminbi Yuan)

	2008	*2007*
Cash flows from financing activities		
Net proceeds from issue of shares upon placing	-	9,936,601,701
Net proceeds from issue of corporate bonds	5,759,981,650	-
Capital injections from minority interests of subsidiaries	472,936,459	2,013,167,455
Proceeds from loans and borrowings	14,325,980,946	18,558,699,204
Repayment of loans and borrowings	(11,690,595,100)	(7,156,929,771)
Dividend paid to equity shareholders	(687,200,639)	(689,482,471)
Dividend paid to minority shareholders of subsidiaries	(170,052,296)	(98,092,627)
Interest paid	(2,144,710,398)	(1,202,961,661)
Net cash generated from financing activities	5,866,340,622	21,361,001,830
Net increase in cash and cash equivalents	2,988,051,360	6,319,250,789
Cash and cash equivalents at 1 January	17,046,504,584	10,743,695,198
Effect of exchange rate fluctuations on cash held	(56,270,014)	(16,441,403)
Cash and cash equivalents at 31 December	19,978,285,930	17,046,504,584

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 2008 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 consolidated financial statements were approved and authorised for issue by the Company's board of directors on 6 March 2009.

(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

The methods used to measure fair values are discussed further in note 5.

(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. Actual results may differ from these estimates.

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

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

- Note 16 and 17 – depreciation and impairment of property, plant and equipment and investment properties
- Note 25 – write down of properties
- Note 26 – impairment of trade debtors and other receivables
- Note 41 – accounting estimates and judgments

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(q) and 3(s) 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 notes 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.

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 profit or loss.

(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 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 directly in equity. Such differences have been recognised 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.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, including cash and cash equivalents, bonds and interest-bearing borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Non-derivative financial instruments (continued)

Available-for-sale financial assets

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)), are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Other

Other non-derivative financial instruments are measured at amortised cost using effective interest rate method, less any impairment losses.

(ii) 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 reorganization, 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.

(iii) Share capital

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

3 Significant accounting policies (continued)

(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(m)). Purchased software that is integral to the functionality of the related equipment is capitalized 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” or “other expenses” in profit or loss.

(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 follow:

	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.

3 Significant accounting policies (continued)

(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(m)).

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 40 years.

(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(m)), 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.

3 Significant accounting policies (continued)

(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 measure 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 directly in equity.

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, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

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

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, 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(m)). Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs to be incurred in selling the properties.

3 Significant accounting policies (continued)

(k) Completed properties for sale

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

The cost of completed properties for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories 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) Borrowing costs

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

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

(n) Employee benefits

(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.

3 Significant accounting policies (continued)

(n) Employee benefits (continued)

(ii) Share based payments

The Group has adopted an equity-settled Employees' Share Award Scheme (the "Scheme") for its employees (note 35) 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.

(o) 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 directly in equity, in which case it is recognised in equity.

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.

3 Significant accounting policies (continued)

(o) Income tax (continued)

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.

No temporary differences are recognised on the initial recognition of goodwill. In addition, the following temporary differences are not provided for: 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.

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

3 Significant accounting policies (continued)

(o) Income tax (continued)

- 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.

(p) 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)).

(q) 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(t), 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.

(r) 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 cash flow statement.

(s) 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.

3 Significant accounting policies (continued)

(t) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

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(t)(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(t)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 3(t)(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.

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.

3 Significant accounting policies (continued)

(u) 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.

(v) 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.

There were no dilutive ordinary shares during the years ended 31 December 2008 and 2007, therefore, dilutive earnings per share are not presented.

(w) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group operates predominantly in one business segment, property development in the PRC. In accordance with the Group's internal financial reporting system, the Group's has presented geographical segment information as the segment reporting format for the purposes of these financial statements.

3 Significant accounting policies (continued)

(w) Segment reporting (continued)

Segment revenue and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue is determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

4 Changes in accounting policies

The IASB has issued a number of new interpretations and an amendment to IFRSs, that are first effective for the current accounting period of the Group. However, none of these developments are relevant to the Group's operations.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 42).

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) Property, plant and equipment, 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 recognised as a result of business combination is based on market values. The market value of property is the estimated amount for which a property 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, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

(ii) Investment property

The fair value of investment properties, which is determined for disclosure purposes in note 15, is estimated by the directors having regard to recent market transactions of similar properties in the same location as the Group's investment properties.

5 Determination of fair values (continued)

(iii) Investments in debt and equity securities

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

(iv) 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.

(v) Derivatives

The fair value of financial derivatives, namely non-deliverable forward contracts, is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

(vi) Interest bearing financial instruments

The fair value of interest bearing amounts is estimated at the present value of future cash flows, discounted at current market interest rates for similar financial instruments and it approximates carrying value as at 31 December 2008 and 2007.

(vii) Non-derivative financial liabilities

The fair value of non-derivative financial liabilities, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Given the terms of non-interest bearing and no fixed repayment terms for certain amounts due from associates and jointly controlled entities, their fair value cannot be reliably estimated.

6 Acquisitions of subsidiaries

(i) 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 from Shanghai Dijie Property Co. Ltd, which was located in Shanghai. The acquisition was completed on 26 February 2008. Upon acquisition date, the total assets acquired and related total liabilities assumed were RMB576 million and RMB561 million respectively (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 certain properties held for development. The acquisition was completed on 30 April 2008. Upon acquisition date, the total assets and total liabilities of Qingdao Dashan were RMB143 million and RMB94 million respectively (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 certain properties held for development and properties under development. The acquisition was completed on 5 January 2008. Upon acquisition date, the total assets and total liabilities of Shanghai Xiangda were RMB765 million and RMB1,326 million respectively (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. Upon acquisition date, the total assets and total liabilities of Guangdong Shangcheng were RMB20 million and RMB Nil respectively.

(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 certain properties held for development. The acquisition was completed on 27 February 2008. Upon acquisition, the total assets and total liabilities of Wuhan Guohao were RMB10 million and RMB Nil respectively (note).

6 Acquisitions of subsidiaries (continued)

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

(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 certain properties held for development. The acquisition was completed on 2 April 2008. Upon acquisition date, the total assets and total liabilities of Qingdao Hao Ren were RMB81 million and RMB14 million respectively (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 certain properties held for development. The acquisition was completed on 1 February 2008. Upon acquisition date, the total assets and total liabilities of Ningbo Jinsheng were RMB20 million and RMB Nil respectively (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 certain properties held for development. The acquisition was completed on 21 March 2008. Upon acquisition date, the total assets and total liabilities of Tianjin Binhai were RMB192 million and RMB141 million respectively (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 certain properties held for development and properties under development. The acquisition was completed on 30 June 2008. Upon acquisition date, the total assets and total liabilities of Suzhou Huihua were RMB364 million and RMB8 million respectively (note).

(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. Upon acquisition date, the total assets and total liabilities of Shenzhen Yili were RMB282 million and RMB248 million respectively (note).

6 Acquisitions of subsidiaries (continued)

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

(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. Upon acquisition date, the total assets and total liabilities of Shanghai Jingyuan were RMB164 million and RMB132 million respectively (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. Upon acquisition date, the total assets and total liabilities of Huadong Real Estate were RMB578 million and RMB Nil respectively (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. Upon acquisition date, the total assets and total liabilities of Hunnan Jinyu Real Estate were RMB1,023 million and RMB0.3 million respectively (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. Upon acquisition date, the total assets and total liabilities of Huadong Real Estate were RMB330 million and RMB304 million respectively (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. Upon acquisition date, the total assets and total liabilities of Shanxi Hulian were RMB327 million and RMB107 million respectively (note).

6 Acquisitions of subsidiaries (continued)

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

(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. Upon acquisition date, the total assets and total liabilities of Changsha Sihai were RMB40 million and RMB32 million respectively (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. Upon acquisition date, the total assets and total liabilities of Changsha Nandu were RMB1.4 million and RMB1 million respectively.

(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. Upon acquisition date, the total assets and total liabilities of Coral Property were RMB483 million and RMB473 million respectively (note).

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

6 Acquisitions of subsidiaries (continued)

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

The acquisitions had the following effect on the Group's assets and liabilities on acquisition date:

	Carrying amount	*Adjustments*	*Recognised values on acquisitions*
Cash and cash equivalents	235,900,013	-	235,900,013
Property, plant and equipment	4,820,223	-	4,820,223
Properties held for development, properties under development and completed properties for sales	4,417,811,633	3,865,153,705	8,282,965,338
Trade and other receivables	724,388,444	-	724,388,444
Other long-term assets	16,389,173	-	16,389,173
Interest-bearing loans and borrowings	(165,000,000)	-	(165,000,000)
Trade and other payables	(3,276,108,747)	-	(3,276,108,747)
Minority interests	(440,498,709)	(119,919,275)	(560,417,984)
Net identifiable assets and liabilities	1,517,702,030	3,745,234,430	5,262,936,460

Considerations, satisfied in cash (note)	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

Note: Certain of the above subsidiaries (see notes 6 (i)(l) and 6 (i)(m)) were associates of the Group before the respective acquisitions. The difference between the total considerations and the recognised values of net identificable assets and liabilities on acquisitions represents the aggregate carrying value of those associates before the respective acquisitions.

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 2007:

(a) Pursuant to an equity transfer agreement dated 15 Decemeber 2006, the Company acquired the entire equity interest in Shanghai Hengda Real Estate Company Limited and its subsidiaries ("Shanghai Hengda Group"). The acquisition was completed on 15 January 2007. Shanghai Hengda Group is principally engaged in property development in Shanghai. Upon acquisition, the total assets and total liabilities of Shanghai Hengda Group are RMB539 million and RMB300 million respectively.

(b) On 30 April 2007, the Group acquired a 90% equity interest in Shanghai Liantu Investment Consultancy Company Limited ("Shanghai Liantu"). Shanghai Liantu is principally engaged in the provision of investment an d management consultancy service. Upon acquisition, the total assets and total liabilities of Shanghai Liantu are RMB373 million and RMB372 million respectively.

(c) On 30 April 2007, the Group acquired the entire equity interest in Power Great Investments Company Limited ("Power Great Investments"). The principal activity of Power Great Investments is investment holding. Upon acquisition, the total assets and total liabilities of Power Great Investments Limited are RMB63 million and RMB63 million respectively.

(d) On 17 May 2007, the Group acquired the entire equity interest in Shenyang Zhengdayongfeng Real Estate Company Limited ("Shenyang Zhengdayongfeng"). Shenyang Zhengdayongfeng is principally engaged in property development in Shenyang. Upon acquisition, the total assets and total liabilities of Shenyang Zhengdayongfeng are RMB131 million and RMB123 million respectively.

(e) On 30 June 2007, the Group acquired the entire equity in Shenzhen Hengda Property Company Limited ("Shenzhen Hengda Property"). The principal business of Shenzhen Hengda is property development in Shenzhen. Upon acquisition, the total assets and liabilities of Shenzhen Hengda Property are RMB325 million and RMB278 million respectively.

(f) On 1 July 2007, the Group acquired a 51% equity interest in Dongguan New Century Mingshangju Business Real Estate Development Company Limited ("Dongguan Mingshangju"). Dongguan Mingshangju is principally engaged in property development in Dongguan. Upon acquisition, the total assets and total liabilities of Dongguan Mingshangju are RMB139 million and RMB138 million respectively.

6 Acquisitions of subsidiaries (continued)

(ii) Acquisitions of subsidiaries by the Group during the year ended 31 December 2007 (continued):

(g) On 1 July 2007, the Group acquired a 90% equity interest in Shenzhen Fuchun East (Group) Company Limited ("Shenzhen Fuchun"), Wanxuan Property (Shenzhen) Company Limited ("Wanxuan"), Nanjing Hengbang Real Estate Company Limited ("Nanjing Hengbang") and Nanjing Fuchun East Real Estate Company Limited ("Nanjing Fuchun"). Shenzhen Fuchun, Wanxuan, Nanjing Hengbang and Nanjing Fuchun are principally engaged in property development in eastern and southern China. Upon acquisitions, the total assets and total liabilities of these four companies are RMB6,948 million and RMB5,527 million respectively.

(h) On 6 July 2007, the Group acquired the entire equity interest in Wuhan Xinbao Property Management Company Limited ("Wuhan Xinbao"). Wuhan Xinbao is principally engaged in property management in Wuhan. Upon acquisition, the total assets of Wuhan Xinbao are RMB2.3 million.

(i) On 30 July 2007, the Group acquired an addition 20% equity interest in Xiamen Vanke Star Property Development Company Limited ("Xiamen Vanke Star"), increasing its ownership from 35% to 55%. Xiamen Vanke Star is principally engaged in property development in Xiamen. Upon acquisition, the total assets and total liabilities of Xiamen Vanke Star are RMB2 million and RMB3,263 respectively.

(j) On 25 October 2007, the Group acquired the entire equity interest in Shanghai Meilianhuafu Property Development Company Limited ("Shanghai Meilianhuafu"). Shanghai Meilianhuafu is principally engaged in property development in Shanghai. Upon acquisition, the total assets and total liabilities of Shanghai Meilianhuafu are RMB474 million and RMB274 million respectively.

(k) On 25 October 2007, the Group acquired the entire equity interest in Shanghai Luolian Property Development Company Limited ("Shanghai Luolian"). Shanghai Luolian is principally engaged in property development in Shanghai. Upon acquisition, the total asset and total liability of Shanghai Luolian are RMB277 million and RMB177 million respectively.

(l) On 28 November 2007, the Group acquired an addition 25% equity interest in Shenzhen Vanke Heng Feng Property Development Company Limited ("Shenzhen Heng Feng"), increasing its ownership from 30% to 55%. Shenzhen Heng Feng is principally engaged in property development in Shenzhen. Upon acquisition, the total assets and total liabilities of Shenzhen Heng Feng are RMB587 million and RMB535 million respectively.

(m) On 30 November 2007, the Group acquired a 90% equity interest in Shenzhen Daolin Investments Development Company Limited ("Shenzhen Daolin"). Shenzhen Daolin is principally engaged in property development in Shenzhen. Upon acquisition, the total assets and total liabilities of Shenzhen Daolin are RMB442 million and RMB422 million respectively.

6 Acquisitions of subsidiaries (continued)

(ii) Acquisitions of subsidiaries by the Group during the year ended 31 December 2007 (continued):

The acquisitions had the following effect on the Group's assets and liabilities on acquisition date:

	Carrying amount	*Adjustments*	*Recognised values on acquisitions*
Cash and cash equivalents	379,075,905	-	379,075,905
Property, plant and equipment	138,038,510	9,582,894	147,621,404
Properties held for development, properties under development and completed properties for sales	4,706,934,944	2,260,295,177	6,967,230,121
Trade and other receivables	2,973,606,488	-	2,973,606,488
Interest in jointly controlled entities	74,119,265	-	74,119,265
Interest-bearing loans and borrowings	(965,800,403)	-	(965,800,403)
Trade and other payables	(6,898,493,896)	-	(6,898,493,896)
Deferred tax liabilities	-	(586,748,704)	(586,748,704)
Minority interests	(4,750,803)	(212,048,283)	(216,799,086)
Net identifiable assets and liabilities	402,730,010	1,471,081,084	1,873,811,094
Considerations, satisfied in cash			1,873,811,094
Cash acquired			(379,075,905)
Considerations to be paid subsequent to 2007			(12,135,180)
Net cash outflow			1,482,600,009

All subsidiaries set out above were acquired from third parties.

7 Disposals of subsidiaries

(i) Disposal 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 contolled entity of the Group. A gain of RMB295,087 arose from the disposal.

Effect of the disposal on individual assets and liabilities of the Group for the year ended 31 December 2008

Cash and cash equivalents	1,452,323
Trade and other receivables	1,495,605,510
Properties held for development, properties under development and completed properties for sales	23,389,443
Property, plant and equipment	27,889
Trade and other payables	(1,511,065,339)
Net identifiable assets and liabilities	9,409,826
Equity interest disposed of by the Group	50%
Net identifiable assets and liabilities disposed of by the Group	4,704,913
Gain on disposal of a subsidiary	295,087
Considerations received, satisfied in cash	5,000,000
Cash disposed of	(1,452,323)
Net cash inflow	3,547,677

(ii) Disposals of subsidiaries by the Group during the year ended 31 December 2007:

(a) On 16 August 2007, the Group disposed of the entire equity interest in Shenzhen Wenxin Garden Real Estate Co. Ltd., which was previously wholly owned by the Group, to an independent third party, at a consideration of RMB10 million. A loss of RMB75,377 arose from the disposal.

(b) On 16 December 2007, the Group transfer its 85% equity interest in Shanghai White Horse Real Estate Co. Ltd. ("Shanghai White Horse") to Yihang Vanke Company Limited ("Yihang Vanke"), which is a jointly controlled entity of the Group, at a consideration of RMB115 million. Subsequent to the transfer, the Group still effectively holds a 49% equity interest in Shanghai White Horse, 15% of which is directly held by the Group while the remaining is held through Yihang Vanke. A gain of RMB24 million arose from the transfer.

8 Segment reporting

The directors consider that the Group's results for the year ended 31 December 2008 were almost entirely attributable to the property development and related activities in the PRC. Accordingly, no analysis by business segment has been presented.

An analysis of the revenue and assets of the Group according to the geographical location of the property development projects within the PRC is set out below:

	Shenzhen, Dongguan and Zhongshan	Tianjin	Beijing	Shanghai region (note (1))	Northeast region (note (2))	Guangzhou and Foshan	Others (note (3))	Total
	2008	*2008*	*2008*	*2008*	*2008*	*2008*	*2008*	*2008*
Segment revenue	7,285,410,540	3,188,694,285	3,130,892,675	12,238,517,025	2,713,907,275	5,965,767,060	4,096,025,217	38,619,214,077
Segment assets	27,162,078,148	8,140,654,163	7,261,407,606	49,640,270,611	8,935,390,348	16,041,837,692	3,404,771,666	120,586,410,234
	2007	*2007*	*2007*	*2007*	*2007*	*2007*	*2007*	*2007*
Segment revenue	9,966,466,668	653,191,506	1,614,107,927	10,520,228,501	2,093,938,700	3,857,283,670	4,781,343,787	33,486,560,759
Segment assets	19,439,529,931	5,459,342,439	6,957,634,894	34,713,586,433	3,979,246,326	12,651,152,800	17,937,135,135	101,137,627,958

Revenue is based on the geographical location of the property development projects. Assets are disclosed by the geographical location of the assets.

Notes:

(1) Shanghai region represents Shanghai, Nanjing, Wuxi, Suzhou, Zhejiang, Ningbo, Zhenjiang, Kunshan and Nanchang.

(2) Northeast region represents Shenyang, Changchun, Dalian, and Anshan.

(3) Other represents Chengdu, Zhuhai, Changsha, Xiamen, Wuhan, Qingdao and other non-property development companies.

9 Other income

	2008	*2007*
Forfeited deposits and compensation from customers	19,639,564	12,622,118
Gain on disposals of subsidiaries	295,087	23,982,804
Gain on disposals of interest in associates	-	2,879,130
Gain on disposals of available-for-sale securities	601,533	46,761,468
Gain on disposals of investment properties	-	651,474
Gain on disposals of property, plant and equipment	8,936,739	-
Unrealised gain on financial derivatives	19,262,232	-
Compensation income from insurance	2,797,899	-
Government subsidies	11,314,568	8,782,128
Other sundry income	14,164,846	9,402,083
	77,012,468	105,081,205

10 Other expenses

	2008	*2007*
Provision for doubtful debts	37,552,195	17,263,680
Compensation to customers	19,670,383	7,793,524
Donations	53,597,709	5,072,881
Loss on disposals of property, plant and equipment	2,336,423	675,525
Realised and unrealised loss on financial derivatives	5,332,863	20,957,112
Penalties	7,452,967	-
Other sundry expenses	16,901,594	13,239,677
	142,844,134	65,002,399

11 Personnel expenses

	2008	*2007*
Wages, salaries and other staff costs	790,513,017	1,542,118,654
Contributions to defined contribution plans	110,499,460	98,183,334
Equity-settled share-based compensation (note 35)	235,000,000	373,120,000
	1,136,012,477	2,013,421,988

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% 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 Net finance costs

	2008	*2007*
Interest income	300,476,020	167,527,344
Dividend income	4,713,306	5,763,924
Net foreign exchange gain	42,609,316	20,575,442
Finance income	347,798,642	193,866,710
Interest expense and other borrowing costs	2,459,226,301	1,369,266,320
Less: Interest capitalised	(1,477,109,375)	(826,969,979)
Finance expenses	982,116,926	542,296,341
Net finance costs	(634,318,284)	(348,429,631)

Interest expense and other borrowing costs have been capitalised at an average rate of 7.0% (2007: 7.1%) per annum.

13 Taxation

(a) Taxation in the consolidated income statement represents:

	2008	*2007*
Current tax		
PRC Corporate Income Tax		
- Provision for the year	2,631,939,752	2,833,057,026
Land Appreciation Tax	2,161,307,853	2,075,722,450
	4,793,247,605	4,908,779,476
Deferred tax		
Fair value adjustments arising from business combinations		
- PRC Corporate Income Tax	(104,100,065)	(140,352,504)
- Land Appreciation Tax	(63,366,141)	(88,642,491)
Accrual for Land Appreciation Tax	(336,686,228)	(314,905,729)
Tax losses	(57,960,111)	(19,214,244)
Provision for diminution in value of properties	(305,849,580)	-
Accruals for construction costs	(134,365,188)	(26,951,262)
Other temporary differences	(10,562,107)	(7,528,420)
	(1,012,889,420)	(597,594,650)
	3,780,358,185	4,311,184,826

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 18% and 25%.

13 Taxation (continued)

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

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 2008 and 2007, 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 reconciliation between tax expense and accounting profit at applicable tax rates:

	2008	*2007*
Profit before income tax	8,420,227,338	9,628,685,644
Less: Land Appreciation Tax	(2,097,941,712)	(1,987,079,959)
	6,322,285,626	7,641,605,685
Notional tax on profit before taxation calculated at effective income tax rate of the relevant group subsidiaries concerned	1,518,200,485	2,191,128,107
Non-taxable income	(33,570,053)	(42,452,311)
Non-deductible expenses	90,026,225	122,838,654
Effect of tax losses not recognised	112,880,745	8,254,206
Recognition of previously unrecognised tax losses	(2,269,994)	(18,041,757)
Effect of unused tax losses recognised in prior years	-	35,469,217
Effect of temporary difference not recognised	947,005	-
Effect of change in tax rates on deferred tax in respect of brought forward temporary differences	-	6,502,501
Effect of change in tax rates on deferred tax in respect of current year temporary differences	(3,797,940)	20,406,250
PRC Corporate Income Tax	1,682,416,473	2,324,104,867
Land Appreciation Tax	2,097,941,712	1,987,079,959
Actual total tax expense	3,780,358,185	4,311,184,826

(b) Taxation recognised directly in equity

	2008	*2007*
Arising from fair value adjustments on available-for-sale securities (note 23(b))	(19,106,620)	21,981,456

13 Taxation (continued)

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

	2008	*2007*
Corporate Income Tax		
Brought forward balance	1,359,800,654	439,483,907
Provision for the year	2,631,939,752	2,833,057,026
PRC Corporate Income Tax paid	(3,888,124,245)	(1,912,740,279)
	103,616,161	1,359,800,654
Land Appreciation Tax		
Brought forward balance	2,020,375,156	436,466,427
Provision for the year	2,161,307,854	2,075,722,450
Land Appreciation Tax paid	(741,681,978)	(491,813,721)
	3,440,001,032	2,020,375,156
	3,543,617,193	3,380,175,810

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 consider the timing of settlement is dependant on the implementation practice of local tax bureau. 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 2008 and 2007.

14 Basic earnings per share

(a) The calculation of basic earnings per share is based on the net profit for the year attributable to equity shareholders of the Company of RMB4,033,170,028 (2007: RMB4,844,235,494) and on the weighted average number of ordinary shares outstanding during the year of 10,995,210,218 (2007 restated: 10,656,908,074) shares.

(b) During the year, the Company issued additional ordinary shares out of the share premium in the ratio of 10:6. Accordingly, the weighted average number of ordinary shares used in the calculation of the basic earnings per share in 2007 was adjusted to 10,656,908,074. As a result, the basic earnings per share were adjusted to RMB0.45.

15 Dividends

A cash dividend of RMB0.1 per share, resulting in a dividend payment of RMB 687,200,639 in respect of the year ended 31 December 2007 was declared during the year ended 31 December 2008.

A cash dividend of RMB0.15 per share, resulting in a dividend payment of RMB655,484,812 in respect of the year ended 31 December 2006 was declared during the year ended 31 December 2007, of which RMB649,427,191 was paid to shareholders while RMB6,057,621 was reinvested in the Employees' Share Award Scheme.

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 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.

16 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 2007	493,193,622	47,621,792	17,649,347	113,225,691	74,799,513	746,489,965
Additions:						
- via business combinations	81,957,587	6,662,507	11,468,675	41,193,145	22,733,250	164,015,164
- others	16,733,257	1,010,868	5,432,325	1,539,953	4,085,704	28,802,107
Disposals	(20,868,515)	(3,234,743)	(9,299,952)	(9,920,670)	(5,308,249)	(48,632,129)
At 31 December 2007	571,015,951	52,060,424	25,250,395	146,038,119	96,310,218	890,675,107
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

16 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 2007	88,623,444	27,076,693	4,408,430	64,676,045	52,358,265	237,142,877
Additions:						
- via business combinations	8,113,801	664,918	1,112,462	4,242,894	2,259,685	16,393,760
Charge for the year	45,431,693	6,274,433	3,385,147	18,951,182	17,791,840	91,834,295
Written back on disposals	(18,637,981)	(602,017)	(233,988)	(8,357,966)	(8,941,079)	(36,773,031)
At 31 December 2007	123,530,957	33,414,027	8,672,051	79,512,155	63,468,711	308,597,901
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
Net book value:						
At 31 December 2008	1,123,639,240	37,489,846	16,527,962	81,022,499	31,921,384	1,290,600,931
At 31 December 2007	447,484,994	18,646,397	16,578,344	66,525,964	32,841,507	582,077,206

17 Investment properties

	2008	*2007*
Cost:		
At 1 January	290,242,224	107,604,755
Transfer from completed properties for sale	74,164,374	224,799,826
Disposals	(138,557,108)	(42,162,357)
At 31 December	225,849,490	290,242,224
Accumulated depreciation and impairment loss:		
At 1 January	13,151,649	50,625,631
Charge for the year	14,540,704	2,992,593
Written back on disposals	(237,630)	(40,466,575)
At 31 December	27,454,723	13,151,649
Net book value:		
At 31 December 2008	198,394,767	277,090,575

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 RMB316,581,608 (2007: RMB577,570,000).

The Group leases out investment properties under operating leases. The leases typically run for an initial period of two to five 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:

	2008	*2007*
Within 1 year	10,317,612	23,553,374
After 1 year but within 5 years	32,692,959	80,152,231
After 5 years	75,950,458	101,365,185
	118,961,029	205,070,790

18 Construction in progress

	2008	*2007*
At 1 January	271,270,240	3,272,023
Additions	89,427,277	267,998,217
Transferred out to property, plant and equipment	(109,211,201)	-
Transferred out to properties under development	(62,899,293)	-
	188,587,023	271,270,240

Construction in progress represents self-constructed office premises under construction.

19 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	100.00%	-	100.00%	Property development
Anshan Vanke Property Management Company Limited	Anshan	RMB3,000,000	100.00%	-	100.00%	Property management
Beijing Chaoyang Vanke Property Development Company Limited	Beijing	RMB200,000,000	60.00%	60.00%	-	Property development
Beijing Huayuhong Consultancy Company Limited	Beijing	RMB100,000	100.00%	-	100.00%	Management and Consultancy
Beijing Vanke Wonderland Real Estate Development Company Limited	Beijing	RMB10,000,000	100.00%	-	100.00%	Property development
Beijing Vanke Enterprises Shareholding Company Limited	Beijing	RMB1,000,000,000	100.00%	90.00%	10.00%	Property development
Beijing Vanke Haikai Real Estate Development Company Limited	Beijing	RMB10,000,000	100.00%	-	100.00%	Property development
Beijing Vanke Property Company Limited	Beijing	USD18,400,000	100.00%	-	100.00%	Property development
Beijing Vanke Property Management Company Limited	Beijing	RMB22,000,000	100.00%	-	100.00%	Property management
Beijing Vanke Zhongliang Jiarifengjing Real Estate Development Company Limited (note)	Beijing	RMB830,000,000	50.00%	-	50.00%	Property development
Beijing Wanxin Investment Development Company Limited	Beijing	RMB30,000,000	100.00%	-	100.00%	Investment
Changchun Vanke Real Estate Company Limited	Changchun	RMB50,000,000	100.00%	95.00%	5.00%	Property development
Changchun Wanrun Real Estate Company Limited	Changchun	RMB10,000,000	100.00%	-	100.00%	Property development
Changchun Vanke Property Management Company Limited	Changchun	RMB3,000,000	100.00%	-	100.00%	Property management
Changsha Hongcheng Real Estate Development Company Limited	Changsha	RMB20,000,000	80.00%	-	80.00%	Property development
Changsha Vanke Property Management Company Limited	Changsha	RMB5,000,000	100.00%	-	100.00%	Property management
Changsha Vanke Real Estate Company Limited	Changsha	RMB20,000,000	100.00%	-	100.00%	Property development
Changsha Nandu Property Management Company Limited	Changsha	RMB500,000	100.00%	-	100.00%	Property management
Changsha Sihai Property Company Limited	Changsha	RMB8,000,000	80.00%	-	80.00%	Property development
Chengdu Bei Fu Property Company Limited	Chengdu	RMB10,000,000	90.00%	-	90.00%	Property development

19 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
Chengdu Vanke Chenghua Property Company Limited	Chengdu	USD75,142,857	100.00%	-	100.00%	Property development
Chengdu Vanke Guanghua Property Company Limited	Chengdu	USD131,428,571	100.00%	-	100.00%	Property development
Chengdu Vanke Guobin Property Company Limited	Chengdu	USD140,000,000	60.00%	-	60.00%	Property development
Chengdu Vanke Jinjiang Property Company Limited	Chengdu	RMB10,000,000	100.00%	-	100.00%	Property development
Chengdu Vanke Property Development Company Limited	Chengdu	USD12,100,000	60.00%	-	60.00%	Property development
Chengdu Vanke Property Management Company Limited	Chengdu	RMB5,000,000	100.00%	-	100.00%	Property management
Chengdu Vanke Real Estate Company Limited	Chengdu	RMB80,000,000	100.00%	90.00%	10.00%	Property development
Chengdu Vanke Huadong Real Estate Company Limited	Chengdu	RMB77,800,000	100.00%	-	100.00%	Property development
Chongqing Yu Development Coral Property Company Limited	Chongqing	RMB100,000,000	51.00%	-	51.00%	Property development
Vanke (Chongqing) Real Estate Company Limited	Chongqing	RMB80,000,000	100.00%	100.00%	-	Property development
Dalian Vanke City Real Property Company Limited	Dalian	USD42,000,000	55.00%	-	55.00%	Property development
Dalian Vanke Jinxiu Flower City Development Company Limited	Dalian	RMB70,000,000	100.00%	65.00%	35.00%	Property development
Dalian Vanke Real Estate Development Company Limited	Dalian	RMB32,000,000	100.00%	-	100.00%	Property development
Dalian Vanke Property Management Company Limited	Dalian	RMB3,860,000	100.00%	-	100.00%	Property management
Dalian Vanke Property Company Limited	Dalian	RMB30,000,000	100.00%	100.00%	0.00%	Property development
Chengdu Vanke Huadong Real Estate Company Limited	Chengdu	RMB10,000,000	100.00%	100.00%	0.00%	Property development
Dongguan Sunshine Real Estate Company Limited	Dongguan	RMB25,000,000	100.00%	-	100.00%	Property development
Dongguan Vanke Construction Research Company Limited	Dongguan	RMB20,000,000	100.00%	-	100.00%	Construction research
Dongguan Vanke Real Estate Company Limited	Dongguan	RMB20,000,000	100.00%	-	100.00%	Property development
Dongguan Xinwan Property Development Company Limited	Dongguan	RMB10,000,000	51.00%	-	51.00%	Property development

19 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
Dongguan New Century Mingshangju Commercial Real State Development Company Limited	Dongguan	RMB1,000,000	51.00%	-	51.00%	Property development
Dongguan Songhuju Property Company Limited	Dongguan	RMB10,000,000	100.00%	-	100.00%	Property development
Dongguan Songshanju Property Development Company Limited	Dongguan	RMB10,000,000	100.00%	-	100.00%	Property development
Dongguan Vanke Property Management Company Limited	Dongguan	RMB5,000,000	100.00%	-	100.00%	Property management
Foshan Vanke Property Management Company Limited	Foshan	RMB3,000,000	100.00%	-	100.00%	Property management
Foshan Shunde District Vanke Property Company Limited	Foshan	RMB10,000,000	100.00%	-	100.00%	Property development
Foshan Vanke Investment Company Limited	Foshan	RMB10,000,000	100.00%	-	100.00%	Property development
Foshan Vanke Property Company Limited	Foshan	RMB20,000,000	100.00%	20.00%	80.00%	Property development
Foshan Vanke Real Estate Company Limited	Foshan	RMB80,000,000	100.00%	-	100.00%	Property development
Foshan Nanhai District Jinyuhuating Propoerty Company Limited	Foshan	USD44,000,000	55.00%	-	55.00%	Property development
Vanke Property (Hong Kong) Company Limited	Hong Kong	USD9,500,000	100.00%	-	100.00%	Investment
Fuzhou Vanke Real Estate Company Limited	Fuzhou	RMB20,000,000	100.00%	40.00%	60.00%	Property development
Fuyang Quanshuiwan Property Company Limited	Fuyang	RMB29,000,000	100.00%	-	100.00%	Property development
Fuyang Vanke Real Estate Development Company Limited	Fuyang	RMB300,000,000	100.00%	-	100.00%	Property development
Guangzhou Fusheng Decoration Engineering Company Limited	Guangzhou	RMB10,000,000	100.00%	-	100.00%	Decoration and Design
Guangzhou Pengwan Property Company Limited (note)	Guangzhou	RMB200,000,000	50.00%	-	50.00%	Property development
Guangzhou Vanke Duhua Real Estate Company Limited	Guangzhou	RMB10,000,000	100.00%	-	100.00%	Property development
Guangzhou Vanke Property Company Limited	Guangzhou	RMB30,000,000	100.00%	-	100.00%	Property development
Guangzhou Vanke Property Management Company Limited	Guangzhou	RMB5,000,000	100.00%	-	100.00%	Property management
Guangzhou Vanke Real Estate Company Limited	Guangzhou	RMB50,000,000	100.00%	-	100.00%	Property development
Guangzhou Vanke Star Property Company Limited (note)	Guangzhou	USD18,600,000	50.00%	-	50.00%	Property development

19 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
Guangzhou Vanke Suidong Real Estate Company Limited	Guangzhou	RMB10,000,000	100.00%	-	100.00%	Property development
Guangzhou Wanxin Property Company Limited	Guangzhou	HKD760,000,000	100.00%	-	100.00%	Property development
Top Glory International Property (Guangzhou) Company Limited	Guangzhou	HKD85,550,000	100.00%	-	100.00%	Property development
Hainan Fuchun East Real Estate Development Company Limited	Hainan	RMB20,000,000	100.00%	-	100.00%	Property development
Hangzhou Vanke Property Management Company Limited	Hangzhou	RMB2,000,000	100.00%	-	100.00%	Property management
Hangzhou Bailuwan Holiday Hotel Company Limited	Hangzhou	RMB10,000,000	100.00%	-	100.00%	Hotel Investment
Hangzhou Vanke Property Company Limited	Hangzhou	RMB320,000,000	100.00%	-	100.00%	Property development
Hangzhou Vanke Rongda Real Estate Company Limited	Hangzhou	RMB30,000,000	55.00%	-	55.00%	Property development
Hangzhou Yuhang Xindu Real Estate Development Company Limited	Hangzhou	RMB20,000,000	100.00%	-	100.00%	Property development
Hangzhou Qianjiangwan Gargen Company Limited	Hangzhou	RMB57,000,000	90.00%	-	90.00%	Property development
Zhejiang Vanke Nandu Real Estate Company Limited	Hangzhou	RMB150,000,000	100.00%	-	100.00%	Property development
Hangzhou Changyuan Tourist Development Company Limited	Hangzhou	RMB90,000,000	100.00%	-	100.00%	Tourism
Hangzhou Liangzhu Culture Town Development Company Limited	Hangzhou	RMB30,000,000	100.00%	-	100.00%	Property development
Hangzhou Linlu Real Estate Development Company Limited	Hangzhou	RMB170,000,000	100.00%	-	100.00%	Property development
Hangzhou Nandu Yousheng Real Estate Development Company Limited	Hangzhou	RMB10,000,000	60.00%	-	60.00%	Property development
Hangzhou Wankun Property Development Company Limited	Hangzhou	RMB350,000,000	51.00%	-	51.00%	Property development
Hangzhou Yindu Property Company Limited	Hangzhou	RMB20,000,000	100.00%	-	100.00%	Property development
Hefei Vanke Property Company Limited	Hefei	RMB20,000,000	100.00%	100.00%	-	Property development
Tander China Investment Company Limited	Hong Kong	HKD10,000	100.00%	-	100.00%	Investment
Euston Capital Limited	Hong Kong	HKD1,000	100.00%	-	100.00%	Investment
Ample Gain Capital Ltd	Hong Kong	HKD1,000	100.00%	-	100.00%	Investment
Vanke Real Estate (Hong Kong) Company Limited	Hong Kong	HKD15,600,000	100.00%	-	100.00%	Investment

19 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
Huizhou Liwan Real Estate Company Limited	Huizhou	RMB10,000,000	67.00%	-	67.00%	Property development
Huizhou Vanke Property Company Limited	Huizhou	RMB10,000,000	100.00%	-	100.00%	Property development
Huizhou Vanke Real Estate Company Limited	Huizhou	RMB10,000,000	100.00%	-	100.00%	Property development
Jiangxi Vanke Yida Property Management Company Limited	Jiangxi	RMB1,000,000	90.00%	-	90.00%	Property management
Jiangxi Vanke Qingshanhu Real Estate Development Company Limited (note)	Jiangxi	RMB20,000,000	50.00%	50.00%	-	Property development
Jiangxi Vanke Yida Property Development Company Limited (note)	Jiangxi	RMB20,000,000	50.00%	50.00%	-	Property development
Kunshan Jiahua Investment Company Limited	Kunshan	RMB50,000,000	85.00%	-	85.00%	Investment
Nanjing Vanke Property Management Company Limited	Nanjing	RMB4,500,000	100.00%	-	100.00%	Property management
Nanjing Hengyue Property Company Limited	Nanjing	RMB10,000,000	100.00%	-	100.00%	Property development
Nanjing Hengbang Real Estate Development Company Limited	Nanjing	USD2,000,000	90.00%	-	90.00%	Property development
Nanjing Jinyu Blue Property Company Limited	Nanjing	RMB90,000,000	100.00%	-	100.00%	Property development
Nanjing Vanke Property Company Limited	Nanjing	RMB150,000,000	100.00%	-	100.00%	Property development
Nanjing Yunjie Real Estate Development Company Limited	Nanjing	RMB10,000,000	100.00%	-	100.00%	Property development
Nanjing Fuchun East Real Estate Devalopment Company Limited	Nanjing	USD2,000,000	90.00%	-	90.00%	Property development
Ningbo Jinsheng Property Company Limited	Ningbo	RMB20,000,000	75.00%	-	75.00%	Property development
Ningbo Vanke Property Management Company Limited	Ningbo	RMB3,000,000	100.00%	-	100.00%	Property management
Ningbo Vanke Real Estate Company Limited	Ningbo	RMB150,000,000	100.00%	-	100.00%	Property development
Qingdao Da Shan Real Estate Development Company Limited	Qingdao	RMB100,000,000	60.00%	-	60.00%	Property development
Qingdao Hao Ren Property Company Limited	Qingdao	USD18,680,000	55.00%	-	55.00%	Property development
Qingdao Vanke Real Estate Company Limited	Qingdao	RMB20,000,000	100.00%	100.00%	-	Property development
Qingdao Vanke Yinshengtai Real Estate Development Co., Ltd	Qingdao	RMB100,000,000	80.00%	80.00%	-	Property development
Shanghai Blue Mountain Property Company Limited	Shanghai	RMB10,000,000	100.00%	-	100.00%	Property development
Shanghai Boxuan Decoration Engineering Company Limited	Shanghai	RMB5,000,000	100.00%	-	100.00%	Decoration and Design

19 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*
Shanghai Hongjun Property Management Company Limited	Shanghai	RMB5,000,000	100.00%	-	100.00%	Property Management
Shanghai Jiaminglvhua Decoration Engineering Company Limited.	Shanghai	RMB2,000,000	100.00%	-	100.00%	Decoration and Design
Shanghai Jinchuan Property Development Company Limited	Shanghai	RMB100,000,000	100.00%	-	100.00%	Property development
Shanghai Jinhua Property Development Company Limited	Shanghai	RMB100,000,000	100.00%	-	100.00%	Property development
Shanghai Junke Investment Management Company Limited	Shanghai	RMB350,000,000	100.00%	-	100.00%	Investment
Shanghai Liantu Investment Management and Consultancy Company Limited	Shanghai	RMB1,000,000	100.00%	-	100.00%	Investment trading and Consultancy services
Shanghai Luolian Property Company Limited.	Shanghai	RMB470,000,000	100.00%	-	100.00%	Property development
Shanghai Meilanhuafu Property Company Limited	Shanghai	RMB700,000,000	100.00%	-	100.00%	Property development
Shanghai Vanke Investment Management Company Limited	Shanghai	RMB204,090,000	100.00%	100.00%	-	Property development
Shanghai Tianyi Property Development Company Limited	Shanghai	RMB50,000,000	90.00%	-	90.00%	Property development
Shanghai Vanke Baobei Property Company Limited	Shanghai	RMB10,000,000	100.00%	-	100.00%	Property development
Shanghai Vanke Baonan Property Company Limited	Shanghai	RMB10,000,000	100.00%	-	100.00%	Property development
Shanghai Vanke Baoshan Property Company Limited	Shanghai	RMB50,000,000	100.00%	-	100.00%	Property development
Shanghai Hengda Property Shareholding Company Limited	Shanghai	RMB141,348,200	100.00%	-	100.00%	Property development
Shanghai Vanke Property Management Company Limited	Shanghai	RMB15,000,000	100.00%	-	100.00%	Property management
Shanghai Vanke Pudong Property Company Limited	Shanghai	RMB160,000,000	100.00%	-	100.00%	Property development
Shanghai Vanke Real Estate Company Limited	Shanghai	RMB800,000,000	100.00%	-	100.00%	Property development
Shanghai Vanke Xiangnan Property Company Limited	Shanghai	RMB10,000,000	100.00%	-	100.00%	Property development
Shanghai Vanke Zhongshi Property Company Limited (note)	Shanghai	RMB20,000,000	50.00%	-	50.00%	Property development
Shanghai Xiangda Real Estate Development Company Limited	Shanghai	RMB1,783,000,000	75.00%	-	75.00%	Property development

19 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*
Shanghai Zhonglin Property Development Company Limited	Shanghai	RMB20,000,000	100.00%	-	100.00%	Property development
Shanghai Vanke Changning Property Company Limited	Shanghai	RMB30,000,000	100.00%	-	100.00%	Property development
Shanghai Vanke Xunhui Property Company Limited	Shanghai	RMB15,000,000	100.00%	-	100.00%	Property development
Shanghai Landa Property Company Limited	Shanghai	RMB10,000,000	100.00%	-	100.00%	Property development
Shanghai Dijie Property Company Limited (note)	Shanghai	RMB20,000,000	50.00%	-	50.00%	Property development
Shanghai Jingyuan Property Company Limited	Shanghai	RMB31,180,000	55.00%	-	55.00%	Property development and management
Shanxi Hualian Property Development Company Limited	Xi'an	RMB367,850,000	51.00%	-	51.00%	Property development
Shenyang East Property Development Company Limited	Shenyang	RMB10,000,000	80.00%	-	80.00%	Property development
Shenyang Vanke Property Development Company Limited	Shenyang	RMB10,000,000	75.00%	-	75.00%	Property development
Shenyang Vanke City Garden Development Company Limited	Shenyang	RMB12,000,000	100.00%	-	100.00%	Property development
Shenyang Vanke Hunnan Real Estate Company Limited	Shenyang	RMB10,000,000	100.00%	-	100.00%	Property development
Shenyang Vanke Property Management Company Limited	Shenyang	RMB10,000,000	100.00%	-	100.00%	Property management
Shenyang Vanke Real Estate Development Company Limited	Shenyang	RMB100,000,000	100.00%	95.00%	5.00%	Property development
Shenyang Vanke Wonderland Company Limited	Shenyang	RMB10,000,000	100.00%	-	100.00%	Property development
Shenyang Vanke Xinshu Property Company Limited	Shenyang	USD15,800,000	100.00%	-	100.00%	Property development
Shenyang Vanke Jinyu Blue Property Development Company Limited	Shenyang	RMB578,150,000	100.00%	-	100.00%	Property development
Shenyang Vanke Hunnan Jinyu Property Development Company Limited	Shenyang	RMB1,022,520,258	100.00%	-	100.00%	Property development
Shenyang Zhengdayongfeng Real Estate Development Company Limited	Shenyang	RMB8,000,000	100.00%	-	100.00%	Property development
Guangdong Shangcheng Construction Company Limited	Shenzhen	RMB20,000,000	100.00%	-	100.00%	Decoration and design, engineering, Property development
Shenzhen Daolin Investment Development Company Limited	Shenzhen	RMB20,000,000	100.00%	-	100.00%	Property development

19 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*
Shenzhen East Xinyue Property Company Limited	Shenzhen	RMB10,000,000	100.00%	-	100.00%	Property development
Shenzhen East Zunyu Real Estate Company Limited	Shenzhen	RMB10,000,000	100.00%	-	100.00%	Property development
Shenzhen Fuchun East (Group) Company Limited	Shenzhen	RMB14,600,000	90.00%	-	90.00%	Property development
Shenzhen Fuchun East Real Estate Company Limited	Shenzhen	RMB158,000,000	100.00%	-	100.00%	Property development
Shenzhen Hengda Property Company Limited	Shenzhen	RMB96,375,000	100.00%	-	100.00%	Property development
Shenzhen Longcheer Yacht Club Company Limited	Shenzhen	RMB57,100,000	100.00%	-	100.00%	Club Service
Shenzhen Vanke City Real Estate Development Company Limited	Shenzhen	USD12,100,000	100.00%	-	100.00%	Property development
Shenzhen Vanke City Scenery Property Company Limited	Shenzhen	RMB120,000,000	100.00%	-	100.00%	Property development
Shenzhen Vanke East Coast Property Development Company Limited	Shenzhen	RMB10,000,000	100.00%	-	100.00%	Property development
Shenzhen Vanke Real Estate Company Limited	Shenzhen	RMB600,000,000	100.00%	95.00%	5.00%	Property development
Shenzhen Vanke East Coast Real Estate Development Company Limited	Shenzhen	RMB10,000,000	100.00%	-	100.00%	Property development
Shenzhen Vanke Financial Consultancy Company Limited	Shenzhen	RMB15,000,000	100.00%	95.00%	5.00%	Investment trading and consultancy services
Shenzhen Vanke Hengfeng Real Estate Company Limited	Shenzhen	RMB51,871,586	55.00%	-	55.00%	Property development
Shenzhen Vanke Huayu Garden Real Estate Development Company Limited	Shenzhen	RMB95,909,045	60.00%	-	60.00%	Property development
Shenzhen Vanke Jiuzhou Property Company Limited	Shenzhen	RMB10,000,000	90.00%	-	90.00%	Property development
Shenzhen Vanke Nancheng Real Estate Company Limited	Shenzhen	RMB10,000,000	90.00%	-	90.00%	Property development
Shenzhen Vanke Fifth Garden Company Limited	Shenzhen	RMB200,000,000	100.00%	-	100.00%	Property development
Zhejiang Nandu Property Group Company Limited	Hangzhou	RMB300,000,000	100.00%	-	100.00%	Property development
Shenzhen Vanke New City Property Company Limited	Shenzhen	USD6,250,000	100.00%	-	100.00%	Property development
Shenzhen Vanke Property Company Limited	Shenzhen	RMB80,000,000	100.00%	-	100.00%	Property development

19 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*
Shenzhen Vanke Property Management Company Limited	Shenzhen	RMB10,000,000	100.00%	95.00%	5.00%	Property management
Shenzhen Vanke Xingye Property Company Limited	Shenzhen	RMB62,413,230	100.00%	-	100.00%	Property development
Shenzhen Vanke Xizhigu Real Estate Company Limited	Shenzhen	RMB10,000,000	60.00%	-	60.00%	Property development
Shenzhen Wanzhuang Decoration Engineering Company Limited	Shenzhen	RMB10,000,000	100.00%	-	100.00%	Decoration and design
Shenzhen Yili Real Estate Development Company Limited	Shenzhen	RMB39,000,000	78.40%	-	78.40%	Property development
Wanxuan Property (Shenzhen) Company Limited	Shenzhen	USD10,000,000	100.00%	-	100.00%	Property development
Shenzhen Fuchun East Hotel Company Limited	Shenzhen	RMB1,000,000	100.00%	-	100.00%	Hotel Investment
Suzhou Huihua Investment and Property Company Limited	Suzhou	RMB355,000,000	51.00%	-	51.00%	Property development
Suzhou Nandu Jianwu Company Limited	Suzhou	RMB300,000,000	70.00%	70.00%	-	Property development
Suzhou Vanke Property Company Limited	Suzhou	USD42,500,000	55.00%	-	55.00%	Property development
Jiangsu Sunan Vanke Real Estate Company Limited	Suzhou	RMB30,000,000	100.00%	-	100.00%	Property development
Suzhou Vanke Zhongliang Property Company Limited	Suzhou	RMB230,000,000	51.00%	-	51.00%	Property development
Tianjin Binhai Fashion Property Company Limited	Tianjin	RMB160,000,000	100.00%	-	100.00%	Property development
Tianjin Shangmei Landscape and Decoration Engineering Company Limited.	Tianjin	RMB5,000,000	100.00%	-	100.00%	Engineering and Design
Tianjin Vanke Property Management Company Limited	Tianjin	RMB10,000,000	100.00%	-	100.00%	Property management
Tianjin Vanke Real Estate Company Limited	Tianjin	RMB390,000,000	100.00%	-	100.00%	Property development
Tianjin Vanke Xingye Development Company Limited	Tianjin	RMB60,000,000	100.00%	15.00%	85.00%	Property development
Tianjin Vanke Xinhu Property Company Limited	Tianjin	RMB17,000,000	100.00%	75.00%	25.00%	Property development
Tianjin Vanke Xinlicheng Company Limited	Tianjin	RMB230,000,000	55.00%	-	55.00%	Property development
Tianjin Vanke Xinrui Real Estate Company Limited	Tianjin	RMB120,000,000	100.00%	-	100.00%	Property development
Tianjin Wanbin Real Estate Development Company Limited	Tianjin	RMB140,000,000	100.00%	-	100.00%	Property development

19 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*
Tianjin Wanfu Investment Company Limited	Tianjin	RMB10,000,000	100.00%	-	100.00%	Investment
Tianjin Wanju Decoration Engineering Company Limited	Tianjin	RMB2,000,000	100.00%	-	100.00%	Decoration, engineering and design
Tianjin Wansheng Investment Company Limited	Tianjin	RMB80,000,000	100.00%	-	100.00%	Investment
Tianjin Wantai Fashion Property Company Limited	Tianjin	RMB200,000,000	96.00%	-	96.00%	Property development
Tianjin Wanzhu Investment Company Limited	Tianjin	RMB20,000,000	100.00%	-	100.00%	Investment
Tianjin Xinfeng Time Investment Company Limited	Tianjin	RMB10,000,000	80.00%	-	80.00%	Investment
Tianjin Xinghai Real Estate Development Company Limited	Tianjin	RMB15,000,000	55.00%	-	55.00%	Property development
Tianjin Zhongtian Wanfang Investment Company Limited	Tianjin	RMB20,000,000	100.00%	-	100.00%	Investment
Wuhan Guohao Property Company Limited	Wuhan	RMB10,000,000	55.00%	-	55.00%	Property development
Wuhan Vanke Property Management Company Limited	Wuhan	RMB12,000,000	100.00%	-	100.00%	Property management
Wuhan Vanke Real Estate Company Limited	Wuhan	RMB150,000,000	100.00%	95.00%	5.00%	Property development
Wuhan Vanke Tiancheng Real Estate Co., Ltd	Wuhan	USD12,100,000	55.00%	-	55.00%	Property development
Wuhan Vanke Tianrun Real Estate Company Limited	Wuhan	USD57,600,000	100.00%	-	100.00%	Property development
Wuhan Wanwei Consultancy Company Limited	Wuhan	RMB10,000,000	55.00%	-	55.00%	Enterprise management and consultancy
Wuxi Dingan Real Estate Company Limited	Wuxi	RMB10,000,000	100.00%	-	100.00%	Property development
Wuxi East City Investment Management Company Limited	Wuxi	USD49,800,000	55.00%	-	55.00%	Investment
Wuxi Vanke Property management Company Limited	Wuxi	RMB3,000,000	100.00%	-	100.00%	Property management
Wuxi Vanke Real Estate Company Limited	Wuxi	RMB300,000,000	60.00%	60.00%	-	Property development
Wuxi Vansheng Real Estate Development Company Limited	Wuxi	USD49,200,000	55.00%	-	55.00%	Property development
Wuxi Xinvan Real Estate Company Limited	Wuxi	RMB126,000,000	70.00%	-	70.00%	Property development
Xiamen Vanke Real Estate Company Limited	Xiamen	RMB50,000,000	100.00%	-	100.00%	Property development
Xiamen Hengbang Real Estate Development Company Limited	Xiamen	RMB50,000,000	100.00%	-	100.00%	Property development

19 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*
Xiamen Fuchun East Real Estate Development Company Limited	Xiamen	RMB10,000,000	100.00%	-	100.00%	Property development
Xiamen Vanke Star Property Company Limited	Xiamen	USD2,333,000	55.00%	-	55.00%	Property development
Xiamen Vanke Property Management Company Limited	Xiamen	RMB3,000,000	100.00%	-	100.00%	Property management
Xi'an Vanke Cheng'nan Property Company Limited	Xi'an	RMB10,000,000	100.00%	-	100.00%	Property development
Xi'an Vanke Real Estate Company Limited	Xi'an	RMB20,000,000	100.00%	-	100.00%	Property development
Xian Vanke Property Management Company Limited	Xi'an	RMB500,000	100.00%	-	100.00%	Property management
Zhenjiang Rundu Property Company Limited	Zhenjiang	RMB10,000,000	100.00%	-	100.00%	Property development
Zhenjiang Runnan Property Company Limited	Zhenjiang	RMB50,000,000	100.00%	-	100.00%	Property development
Zhenjiang Runqiao Property Company Limited	Zhenjiang	RMB10,000,000	100.00%	-	100.00%	Property development
Zhenjiang Runzhong Property Company Limited	Zhenjiang	RMB10,000,000	100.00%	-	100.00%	Property development
Zhongshan Vanke Real Estate Company Limited	Zhongshan	USD12,000,000	100.00%	-	100.00%	Property development
Zhuhai Vanke Property Management Company Limited	Zhuhai	RMB3,000,000	100.00%	-	100.00%	Property management
Zhuhai Vanke Real Estate Company Limited	Zhuhai	RMB10,000,000	100.00%	-	100.00%	Property development
Zhuhai Zhubin Property Development Company Limited	Zhuhai	RMB109,000,000	100.00%	-	100.00%	Property development
Zhuhai Wanmao Real Estate Development Company Limited	Zhuhai	USD33,400,000	55.00%	-	55.00%	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.

20 Interest in associates

Details of the Group's principal associates at 31 December 2008 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%	Coporation consultation
Shanghai Zhongfang Binjiang Real Estate Company Limited	Shanghai	RMB200,000,000	25.00%	-	25.00%	Property development
Wuhan Golf City Gardern Real Estate Company Limited (note)	Wuhan	RMB219,000,000	15.00%	-	15.00%	Property development
Shanghai Nandu White Horse Real Estate Company Limited (note)	Shanghai	RMB27,000,000	15.00%	-	15.00%	Property development
Chengdu Yihang Vanke Binjiang Real Estate Company Limited (note)	Chengdu	RMB50,000,000	15.00%	-	15.00%	Property development
Hefei Yihang Vanke Real Estate Company Limited	Hefei	RMB101,500,000	29.60%	-	50.00%	Property development
Suzhou Yihang Vanke Changfeng Real Estate Company Limited	Suzhou	RMB200,000,000	21.60%	-	21.60%	Property development
Shenyang Vanke Yucheng Real Estate Company Limited	Shenyang	RMB197,235,443	40.00%	-	20.00%	Property development
Beihai Wanda Real Estate Company Limited	Beihai	RMB20,000,000	40.00%	-	40.00%	Property development
Hangzhou Star Real Estate Company Limited	Hangzhou	RMB50,000,000	20.00%	-	20.00%	Property development
Changsha Oriental City Real Esteate Company Limited	Changsha	RMB20,000,000	20.00%	-	20.00%	Property development
Dongguan Vanke Real Estate Company Limited	Dongguan	RMB83,000,000	20.00%	-	20.00%	Property development
Shanghai Wansheng Real Estate Company Limited	Shanghai	RMB5,737,400	50.00%	-	50.00%	Property management
Shanghai Zunyi Property Management Company Limited	Shanghai	RMB3,000,000	30.00%	-	30.00%	Property management

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*
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
2007					
100 per cent	4,873,668,959	3,697,864,128	1,175,804,831	1,318,506,302	112,793,690
Group's effective interest	1,182,771,493	856,338,269	326,433,224	155,688,655	67,528,929

21 Interest in jointly controlled entities

Details of the Group's principal jointly controlled entities at 31 December 2008 are as follows:

			Percentage of interest			
Name of company	*Place of establishment and operation*	*Paid in capital*	*held by the Group*	*held by the Company*	*held by a subsidiary*	*Principal activities*
Shenyang Yong Da Property Company Limited	Shenyang	RMB93,431,369	49.00%	-	49%	Property development
Hangzhou Song City Property Company Limited	Hangzhou	RMB130,000,000	50.00%	-	50%	Property development
Shanghai Jialai Real Estate Development Company Limited	Shanghai	RMB180,000,000	49.00%	-	49.00%	Property development
Yihang Vanke Company Limited	Beijing	RMB1,000,000,000	40.00%	40.00%	-	Property development
Shenyang Vanke Shengbao Consultancy Company Limited	Shenyang	RMB1,048,763	20.00%	-	20.00%	Corporation consultation
Dongguan Xintong Industry Company Limited	Dongguan	RMB10,000,000	38.61%	-	38.61%	Property development
Dongguan Vanke Property Company limited	Dongguan	RMB83,000,000,	50.00%	-	50.00%	Property development
Dalian Vanke Charming City Property Development Company Limited	Dalian	RMB 340,000,000	5.00%	-	50.00%	Property development
Wuhan Vanke Qinganju Property Development Limited	Wuhan	RMB100,000,000	100.00%	-	100.00%	Property development

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

	2008	*2007*
Non-current assets	374,540,476	1,607,296,471
Current assets	3,360,015,120	1,742,123,381
Non-current liabilities	(19,600,000)	(134,750,000)
Current liabilities	(1,826,146,436)	(1,183,146,652)
Net assets	1,888,809,160	2,031,523,200
Income	466,170,606	748,320,241
Expenses	(475,550,240)	(687,205,803)
(Loss)/profit for the year	(9,379,634)	61,114,438

22 Other non-current financial assets

	2008	*2007*
Available-for-sale securities in the PRC		
Equity securities		
- Unlisted	88,740,921	80,652,742
- Listed in the PRC	84,559,813	191,693,489
Debt securities		
- Unlisted	82,858,082	297,150,625
	256,158,816	569,496,856

23 Deferred tax assets / liabilities

(a) Deferred tax assets

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

	2008	*2007*
Tax losses	141,925,456	83,965,345
Impairment loss of trade and other receivables	8,323,552	10,514,732
Provision for diminution in value of properties	309,492,273	3,642,693
Accruals for construction costs	175,160,001	40,794,813
Accrual for Land Appreciation Tax	784,818,610	448,132,382
Other temporary differences	29,760,741	17,007,454
	1,449,480,633	604,057,419

Movements in deferred tax assets:

	2008	*2007*
At 1 January	604,057,419	233,532,009
Transferred to consolidated income statement	845,423,214	370,525,410
At 31 December	1,449,480,633	604,057,419

23 Deferred tax assets / liabilities (continued)

(a) Deferred tax assets (continued)

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

	2008	*2007*
Tax losses	917,582,959	490,003,006
Other temporary differences	148,199,000	144,410,980
	1,065,781,959	634,413,986

The tax losses expire between 2009 and 2013. The deductible temporary differences will not expire under current the 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.

(b) Deferred tax liabilities

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

	2008	*2007*
Fair value adjustments on available-for-sale securities	10,545,770	29,652,390
Fair value adjustments arising from business combinations	1,369,941,857	1,537,408,063
	1,380,487,627	1,567,060,453

Movements in deferred tax liabilities:

	2008	*2007*
At 1 January	1,567,060,453	1,292,534,798
Recognised in equity (note 13(b))	(19,106,620)	21,981,456
Arising from business combinations	-	586,748,704
Transfer out upon disposals of subsidiaries	-	(105,209,510)
Transferred to consolidated income statement	(167,466,206)	(228,994,995)
At 31 December	1,380,487,627	1,567,060,453

24 Inventories

	2008	*2007*
Raw materials	48,111,356	51,135,271
Finished goods	-	12,613,487
	48,111,356	63,748,758
Inventories recognised as cost of sales for the year	16,309,805	6,783,183

25 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:

	2008	*2007*
With lease term of 50 years or more	54,737,002,663	40,531,359,746
With lease term of less than 50 years	3,906,402,115	1,936,608,577
	58,643,404,778	42,467,968,323

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

	2008	*2007*
Carrying amount of properties sold	24,653,484,452	20,166,448,835
Write down of properties	1,230,561,038	1,650,543
Reversal of write-down of properties	(1,436,701)	(198,238)
	25,882,608,789	20,167,901,140

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 RMB34,131 million (2007: RMB27,878 million) is not expected to be recovered within one year.

26 Trade and other receivables

	2008	*2007*
Debtors and other receivables	2,943,528,935	2,349,890,069
Less: allowance for doubtful debts	(141,023,757)	(104,140,223)
	2,802,505,178	2,245,749,846
Amount due from associates and jointly controlled entities	1,617,804,867	1,384,754,138
Less: allowance for doubtful debts	(1,438,296)	(1,564,102)
	1,616,366,571	1,383,190,036
Prepaid taxes	837,140,813	581,894,379
Deposits and prepayments	3,160,518,999	8,284,197,850
	8,416,531,561	12,495,032,111

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 39(b).

All of the trade and other receivables, apart from deposits of RMB658 million (2007: RMB250 million) are expected to be recovered within one year.

Apart from the amounts due from associates of RMB314 million (2007: RMB412 million) which are interest bearing at market interest rate, amounts due from associates and jointly controlled entities are interest free, unsecured and have no fixed terms of repayment. The interest income received from associates during the year amounted to RMB27 million (2007: RMB11 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:

	2008	*2007*
At 1 January	105,704,325	79,465,102
Impairment loss recognised	37,552,195	17,263,680
Provision arising on business combinatons	-	9,364,654
Uncollectible amounts written off	(794,467)	(389,111)
At 31 December	142,462,053	105,704,325

26Trade and other receivables (continued)

Impairment of trade debtors and other receivables (continued)

At 31 December 2008, the Group's trade debtors and other receivables of RMB142 million, (2007: RMB106 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 RMB142 million (2007: RMB106 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:

	2008	*2007*
Neither past due nor impaired	4,294,160,423	3,460,443,799
Less than 1 year past due	124,711,326	62,791,758
	4,418,871,749	3,523,235,557

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

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.

27 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks. The balance includes deposits with banks of RMB8 million (2007: RMB10 million) with restriction for designated purposes.

28 Share capital

	2008		*2007*	
	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	6,050,159,219	6,050,159,219
B shares of RMB1 each	1,314,955,468	1,314,955,468	821,847,168	821,847,168
	10,995,210,218	10,995,210,218	6,872,006,387	6,872,006,387

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 the year is as follows:

	Issued share capital		
	A shares	*B shares*	*Total*
At 1 January 2007	3,822,000,639	547,898,112	4,369,898,751
Issue of shares upon placing (note)	317,158,261	-	317,158,261
Capitalisation of share premium (note 29(a))	1,911,000,319	273,949,056	2,184,949,375
At 31 December 2007	6,050,159,219	821,847,168	6,872,006,387
At 1 January 2008	6,050,159,219	821,847,168	6,872,006,387
Capitalisation of share premium (note 29(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

Note: Issue of shares upon placing

During the year ended 31 December 2007, 317,158,261 A shares were issued and placed to certain institutional investors at a subscription price of RMB31.53 per share.

29 Reserves

	Share premium (note (a))	*Foreign exchange reserve*	*Statutory reserves (note (b))*	*Employee share-based compensation reserve (note (c))*	*Revaluation reserve (note (d))*	*Capital reserve arising from stepped acquisitions*	*Retained profits*	*Total*
At 1 January 2008	12,949,848,236	147,798,941	5,395,470,156	453,690,000	134,801,554	(241,332,344)	4,032,906,217	22,873,182,760
Equity settled share- based transactions (note 35)	-	-	-	494,987,500	-	-	-	494,987,500
Adjustment for equity settled share-based transactions	-	-	-	(259,987,500)	-	-	-	(259,987,500)
Distribution of the Awarded Shares (note 35(a)(vi))	-	-	-	(215,463,933)	-	-	(8,082,797)	(223,546,730)
Profit for the year	-	-	-	-	-	-	4,033,170,028	4,033,170,028
Transfer of retained profits	-	-	1,186,514,822	-	-	-	(1,186,514,822)	-
Adjustment on translation of foreign subsidiaries	-	129,508,819	-	-	-	-	-	129,508,818
Change in fair value of available-for-sale securities, net of deferred tax of RMB19,106,620	-	-	-	-	(90,154,429)	-	-	(90,154,428)
Capitalisation of share premium	(4,123,203,831)	-	-	-	-	-	-	(4,123,203,831)
Dividend declared-2008 (note 15)	-	-	-	-	-	-	(687,200,639)	(687,200,639)
At 31 December 2008	8,826,644,405	277,307,760	6,581,984,978	473,226,067	44,647,125	(241,332,344)	6,184,277,987	22,146,755,978

29 Reserves (continued)

	Share premium (note (a))	*Foreign exchange reserve*	*Statutory reserves (note (b))*	*Employee share-based compensation reserve (note (c))*	*Revaluation reserve (note (d))*	*Capital reserve arising from stepped acquisitions*	*Retained profits*	*Total*
At 1 January 2007	5,515,354,171	10,068,656	4,402,087,927	80,570,000	43,265,034	(178,732,940)	831,480,143	10,704,092,991
Equity settled share-based transactions (note 35)	-	-	-	373,120,000	-	-	-	373,120,000
Placing of A shares (note 28(i))	9,682,841,739	-	-	-	-	-	-	9,682,841,739
Share issuance costs	(63,398,299)	-	-	-	-	-	-	(63,398,299)
Profit for the year	-	-	-	-	-	-	4,844,235,494	4,844,235,494
Transfer from retained profits	-	-	993,382,229	-	-	-	(993,382,229)	-
Adjustment on translation of foreign subsidiaries	-	137,730,285	-	-	-	-	-	137,730,285
Fair value adjustments arising from stepped acquisitions of interest in subsidiaries	-	-	-	-	-	(62,599,404)	-	(62,599,404)
Change in fair value of available-for-sale securities, net of deferred tax of RMB21,981,456	-	-	-	-	91,536,520	-	-	91,536,520
Capitalisation of share premium	(2,184,949,375)	-	-	-	-	-	-	(2,184,949,375)
Dividend declared-2006 (note 15)	-	-	-	-	-	-	(655,484,812)	(655,484,812)
Dividend reinvested in the Employees' Share Award Scheme (note 35)	-	-	-	-	-	-	6,057,621	6,057,621
At 31 December 2007	12,949,848,236	147,798,941	5,395,470,156	453,690,000	134,801,554	(241,332,344)	4,032,906,217	22,873,182,760

29 Reserves (continued)

Notes:

(a) Share premium

During the year ended 31 December 2008, the Company issued 4,123,203,831 shares (2007: 2,184,949,375 shares) with a par value of RMB1 each to all shareholders in the ratio of 6 shares for every 10 shares held (2007: in the ratio of 5 shares for every 10 shares held) as recorded in the register of shareholders on 13 June 2008 (2007: 29 Augest 2007) upon capitalisation of share premium.

(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 2008, the Company transferred RMB158,201,976 (2007: RMB172,762,126), 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 2008, the directors proposed to transfer RMB1,028,312,846 (2007: RMB820,620,103), being 65% (2007: 47.5%) of the Company's current year's net profit as determined in accordance with the PRC Accounting Rules and Regulations, to this reserve.

29 Reserves (continued)

Notes (continued):

(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 35) to the employees of the Company recognised in accordance with the accounting policy adopted for equity compensation benefits in note 3(n)(ii).

During the year ended 31 December 2008, equity-based employee benefits of RMB 494,987,500 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, the equity-based employee benefits of RMB258,138,750 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 achieved.

(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 in note 3(c)(i).

29 Reserves (continued)

Notes (continued):

(e) Capital management

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

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in the light of changes in economic conditions.

During 2008, the Group's strategy, which was unchanged from 2007, was to maintain the total debt to total asset ratio at around 60%. In order to maintain the ratio, the Group may adjust the amount of dividends payable to shareholders, issue new shares, issue convertible bonds or raise new debt financing.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

30 Minority interests

	2008	*2007*
At 1 January	4,640,875,428	2,524,955,811
Profit attributable to minority interests for the year	606,699,125	473,265,324
Capital injections from minority interests of subsidiaries	695,603,280	2,018,703,898
Dividends paid to minority interests	(204,651,502)	(139,091,005)
Minority interests arising from acquisitions of non-wholly owned subsidiaries	560,417,984	216,799,086
Acquisitions of minority interests	(122,028,497)	(453,757,686)
Increase in minority interests resulting from disposal of partial interest in a subsidiary	839,030,034	-
Decrease in minority interests resulting from change of a non-wholly owned subsidiary to a jointly controlled entity	(19,882,996)	-
Decrease in minority interests resulting from liquidation of subsidiaries	(65,009,125)	-
Others	(4,429,512)	-
At 31 December	6,926,624,219	4,640,875,428

31 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 39.

	2008	*2007*
Non-current		
Secured or guaranteed		
- bank loans (note (a))	1,553,110,000	1,387,163,655
- corporate bonds (note (b))	2,894,365,250	-
	4,447,475,250	1,387,163,655
Unsecured		
- bank loans (note (a))	7,621,010,095	7,687,026,185
- corporate bonds (note (b))	2,873,650,747	-
- other borrowings (note (c))	-	7,287,890,000
	10,494,660,842	14,974,916,185
	14,942,136,092	16,362,079,840

At 31 December 2008, non-current interest-bearing borrowings and bonds were repayable as follows:

	2008	*2007*
After 1 year but within 2 years	7,876,887,677	14,084,944,887
After 2 years but within 5 years	7,065,248,415	2,277,134,953
	14,942,136,092	16,362,079,840

	2008	*2007*
Current		
Secured		
- bank loans (note (a))	60,000,000	69,600,000
- current portion of long term bank loans (note (a))	363,995,220	536,939,550
- other borrowings (note (c))	120,000,000	-
	543,995,220	606,539,550
Unsecured		
- bank loans (note (a))	190,000,000	1,035,250,000
- current portion of long term bank loans (note (a))	5,792,489,356	6,054,077,354
- other borrowings (note (c))	4,351,968,334	-
- current portion of long term other borrowings	6,987,890,000	897,660,000
	17,322,347,690	7,986,987,354
	17,866,342,910	8,593,526,904

31 Interest-bearing borrowings and bonds (continued)

Notes:

(a) Bank loans

The secured bank loans of RMB2,669 million as at 31 December 2008 (2007: RMB1,994 million) are secured over certain properties held for development and properties under development with aggregate carrying value of RMB2,630 million (2007: RMB2,082 million), the Group's interests in certain subsidiaries with total net asset value of RMB167 million (2007: RMB117 million). Included in secured bank loans as at 31 December 2008 is an amount of RMB Nil (2007: RMB380 million) which is pledged by certain assets of a minority shareholder.

The interest rate of bank loans ranges from 4.86% to 10.00% in 2008 (2007: from 4% to 8.76%).

(b) Corporate bonds

2008

	No.101688 Corporate bonds issued in 2008	*No.101699 Corporate bonds issued in 2008*
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

On 6 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 respectively.

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 respectively.

31 Interest-bearing borrowings and bonds (continued)

Notes: (continued)

(c) Other borrowings

	2008	*2007*
Non-current		
Proceeds	-	7,427,859,800
Transaction costs	-	(139,969,800)
	-	7,287,890,000
Current		
Proceeds	4,520,000,000	-
Transaction costs	(48,031,666)	-
	4,471,968,334	-

Other borrowings represent interest bearing borrowings raised from third party lenders through trust companies at market interest rate. The interest rate of other borrowings ranges from 4.86% to 10% in 2008 (2007: 4% to 8.76%).

The secured other borrowings of RMB120 million as at 31 December 2008 are secured over certain properties held for development and properties under development with aggregate carrying value of RMB370 million.

32 Other long term liabilities

Other long term liabilities at 31 December 2008 and 2007 mainly represented consideration payable in connection with acquisitions of subsidiaries and was due for settlement by instalments in 2010 and 2009 respectively.

33 Trade and other payables

	2008	*2007*
Trade payable	12,895,962,837	9,700,852,026
Amounts due to associates	21,277,927	59,828,480
Amounts due to jointly controlled entities	841,977,518	303,411,587
Deposits received in advance	23,945,755,140	21,622,747,401
Other payables and accrued expenses	6,225,573,623	5,541,778,180
Other taxes	48,660,688	17,810,352
Total	43,979,207,733	37,246,428,026

All of the trade and other payables, except for retention moneys of RMB213 million (2007: RMB355 million), are expected to be settled within one year.

34 Provisions

	2008	*2007*
Balance at 1 January	37,962,953	31,677,271
Provisions made during the year	8,300,215	8,118,984
Provisions used during the year	(4,533,700)	(1,833,302)
Balance at 31 December	41,729,468	37,962,953

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

35 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 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 holds 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.

35 Employees' share award scheme (continued)

Background of the Scheme (continued)

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.

(a) 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 2007	-	-	-	-	25,452,018	145,444,012	25,452,018	145,444,012
Purchased through the trust (note i)	-	-	11,412,445	241,282,950	3,519,682	73,756,963	14,932,127	315,039,913
New shares through bonus issue (note ii)	-	-	5,706,223	-	14,485,850	-	20,192,073	-
Dividend reinvested through the trust (note iii)	-	-	110,800	1,711,866	282,700	4,345,755	393,500	6,057,621
At 31 December 2007	-	-	17,229,468	242,994,816	43,740,250	223,546,730	60,969,718	466,541,546
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 iv)	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 v)	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 Awared Shares (note vi)	-	-	-	-	(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

35 Employees' share award scheme (continued)

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

Note:

(i) On 11 May 2007, the Company made an additional contribution of RMB73,756,963 to the 2006 Scheme and the trust acquired 3,519,682 A shares of the Company. On the same day, the Company made a first contribution of RMB241,282,950 to the 2007 Scheme and the trust acquired 11,412,445 A shares of the Company.

(ii) On 29 August 2007, the Company issued new A shares out of the share premium in the ratio 10:5 to all equity shareholders. Accordingly, additional 14,485,850 and 5,706,223 A shares were issued to the 2006 and 2007 Schemes respectively.

(iii) On 16 May 2007, the Company paid a cash dividend of RMB0.15 per share resulting in a total dividend received by the trust of RMB4,345,755 and RMB1,711,866 for the 2006 and 2007 Schemes respectively. Pursuant to the Schemes, the trust acquired an additional 282,700 and 110,800 A Shares for the 2006 and 2007 Schemes respectively.

(iv) 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 Compay. On the same day, the Company made a first contribution of RMB763,905,518 to the 2008 Scheme and the trust acquired 37,804,258 A shares of the Company.

(v) 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.

(vi) 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.

During the year ended 31 December 2008, equity-based employee benefits charged to the consolidated income statement and credited to reserve amounted to RMB235,000,000 (note 29), which was related to the 2007 Scheme. Had all the Awarded Shares in respect of the 2007 Scheme been fully vested on 31 December 2008, the theoretical benefits of the employees based on the A Share's closing price of RMB6.45 per share on that date would have been RMB298,904,358.

No equity-based employee benefits was charged to the consolidated income statement as the directors considered that the non-market performance condition of the 2008 Scheme was unlikely to be achieved (see note 29(c)).

35 Employees' share award scheme (continued)

(b) Fair value of the Scheme and assumptions

The fair value of the services received in return for the Awarded Scheme granted is measured by reference to the fair value of the Awarded Shares granted under the Scheme. The estimate of the fair value of the Awarded Shares of the 2008 Scheme is measured based on a Monte-Carlo option pricing model with the following key input assumptions at its grant date of 1 January 2008:

	The 2008 Scheme
A Share's price at grant date (per share)	RMB29.19
Expected volatility	54.18%
Expected rate of return	29.38%
Expected vesting period	24 months
Fair value of the Awarded Shares at grant date	RMB693,300,000

The directors consider that changes in the subjective input assumptions could materially affect the fair value estimate.

36 Material related party transactions

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

Associates	(note 20)
Jointly controlled entities	(note 21)
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:

	2008	*2007*
Short-term employee benefits	27,252,500	81,435,919
	27,252,500	81,435,919

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 35).

Save for the above, 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 the key management personnel. Details of such transactions are as follows:

36 Material related party transactions

(b) Key management personnel compensations (continued)

	2008	*2007*
Sales of properties to the key management personnel	1,217,125	2,754,762
Related cost of sales	(1,001,353)	(1,988,808)
Gross profit	215,772	765,954
Estimated fair value of the properties sold to the key management personnel	1,857,125	4,104,762

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

Apart from the above, during the year, certain key management personnel purchased properties from the Group at market price with total value of RMB1,217,125 (2007: RMB2,754,762).

37 Commitments

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

	2008	*2007*
Contracted for	23,202,031,151	14,046,463,000

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:

	2008	*2007*
Within 1 year	32,497,446	32,253,028
After 1 year but within 2 years	20,784,514	26,628,049
After 2 year but within 5 years	30,333,962	28,840,987
After 5 years	4,735,353	2,936,318
	88,351,275	90,658,382

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 RMB41 million (2007: RMB44 million).

38 Contingent liabilities

(i) 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 RMB17,969 million (2007: RMB16,958 million), including guarantees of RMB17,452 million (2007: RMB16,297 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 RMB517 million (2007: RMB661 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 recover 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.

(ii) As at 31 December 2008, a subsidiary of the Group was sued by a contractor for repayment of deposit paid and construction cost payable, which amounted to RMB39 million, plus accrual of interest thereon. The relevant PRC court has yet to decide on the case. The directors do not consider it probable that the Group will sustain a compensation loss in this respect.

39 Financial risk management

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

(a) Interest rate risk

The Group's interest rate risk arises primarily from its borrowings and bonds. Borrowings and bonds issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The interest rate and terms of repayment of bank loans, borrowings and bonds of the Group are disclosed in note 31 to the financial statements.

At 31 December 2008, 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 RMB48,754,734 (2007: RMB61,886,054).

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 2007.

39 Financial risk management (continued)

(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.

39 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:

			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

			2007		
	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	24,955,606,744	26,588,466,696	9,145,353,513	15,010,449,913	2,432,663,270
Creditors and accrued charges	15,242,630,206	15,242,630,206	14,887,630,206	355,000,000	-
Amounts due to jointly controlled and entities and associates	363,240,067	363,240,067	363,240,067	-	-
Other long term liabilities	9,913,831	9,913,831	-	-	9,913,831

39 Financial risk management (continued)

(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:

		2008		*2007*
United States Dollars	USD	420,141,957	USD	625,148,050
Hong Kong Dollars	HKD	7,049,434	HKD	11,294,204

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

		2008		*2007*
United States Dollars	USD	2,144,568,751	USD	3,035,207,578
Hong Kong Dollars	HKD	134,930,700	HKD	518,760,750

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:

		2008		*2007*
United States Dollars	USD	1,694,880	USD	20,957,112

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.

		2008		**2007**	
Increase / (decrease)	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%	(112,192,264)	(113,246,603)	(144,745,272)	(145,871,810)
United States Dollars	(10%)	112,192,264	113,246,603	144,745,272	145,871,810
Hong Kong Dollars	10%	(9,718,976)	(220,462,035)	(35,522,658)	(262,186,940)
Hong Kong Dollars	(10%)	9,718,976	220,462,035	35,522,658	262,186,940

39 Financial risk management (continued)

(d) Foreign exchange risk (continued)

Sensitivity analysis (continued)

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. The Group has entered into certain non-deliverable forwards to hedge its exchange risk and the above analysis has taken into account the effect brought from the non-deliverable forwards.

(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 22). The Group monitors the performance of the available-for-sale equity securities regularly.

40 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 15.

41 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

41 Accounting estimates and judgments (continued)

Key sources of estimation uncertainty (continued)

(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 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.

42 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2008

Up to date of issue of these financial statements, the IASB has issued a number if amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2008 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 8, Operating segments	1 January 2009
IAS (revised 2007), Presentation of financial statement	1 January 2009

43 Comparative figures

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