CHINA VANKE CO., LTD. *

萬科企業股份有限公司

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

(Stock code: 2202)

ANNOUNCEMENT OF ANNUAL RESULTS FOR YEAR ENDED 31 DECEMBER 2014

FINANCIAL HIGHLIGHTS

1. Turnover was RMB137.99 billion, representing an increase of 8.3% as compared with 2013.

2. Net profit attributable to shareholders reached RMB15.75 billion, an increase of 4.2% as compared with 2013.

3. Basic earnings per share was RMB1.43, an increase of 4.2% as compared with 2013.

4. Fully diluted net return on equity was 17.86%, which still maintained at a relatively high level.

5. The property development business achieved a sales area of 18.064 million sq.m. and sales amount of RMB215.13 billion, an increase of 21.2% and 25.9% as compared with the same period last year.

6. As of the end of the reporting period, the Group had 16.70 million sq.m. of resources sold but yet booked with a total contract amount of about RMB194.60 billion. This area and its corresponding contract amount represented an increase of 16.2% and 19.9% respectively as compared with the end of 2013.

7. In 2014, the Group added 41 new development projects and the site area attributable to Vanke was approximately 2.06 million sq.m. and GFA attributable to Vanke was approximately 5.91 million sq.m..

8. As at the end of the Reporting Period, the cash and cash equivalents including the pledged deposit held by the Group amounted to RMB62.72 billion, represented a substantial increase of 41.4% as compared with the end of 2013. Sufficient funding provides strong support to the Company for project development and new business innovation in future.

9. Net gearing ratio (interest-bearing borrowings minus cash and cash equivalents, divided by net assets) was 5.41%, representing a decrease of 25.27 percentage points as compared with the end of 2013, which was the lowest level since 2006.

10. The Board submitted to AGM a cash dividend proposal of RMB0.50 per share for the year 2014 (2013: RMB 0.41).

I ANNUAL RESULTS

The board of directors (the "Board") of China Vanke Co., Ltd. (the "Company") is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, the "Group" or "Vanke") for the year ended 31 December 2014 (the "Period" or the "Report Period"), which has been extracted from the financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Turnover	4	**137,994,043**	127,453,765
Cost of sales		**(103,359,135)**	(92,814,352)
Gross profit		**34,634,908**	34,639,413
Other revenue		**930,538**	741,218
Other net income	5	**2,534,471**	66,246
Distribution costs		**(4,521,889)**	(3,864,714)
Administrative expenses		**(3,985,833)**	(3,089,148)
Other operating expenses		**(101,710)**	(149,678)
Profit from operations		**29,490,485**	28,343,337
Finance costs		**(1,546,798)**	(1,495,502)
Share of profits less losses of associates		**1,566,326**	511,614
Share of profits less losses of joint ventures		**476,809**	487,784
Profit before taxation	6	**29,986,822**	27,847,233
Income tax	7	**(10,699,298)**	(9,549,684)
Profit for the year		**19,287,524**	18,297,549
Attributable to:			
Equity shareholders of the Company		**15,745,454**	15,118,549
Non-controlling interests		**3,542,070**	3,179,000
Profit for the year		**19,287,524**	18,297,549
Basic Earnings per share (RMB)	9	**1.43**	1.37

Details of dividends paid and payable to shareholders of the Company attributable to the profit for the year are set out in note 8.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2014

	Note	**2014** **RMB'000**	2013 RMB'000
Profit for the year		**19,287,524**	18,297,549
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**(48,127)**	65,503
Cash flow hedge: net movement in the hedging reserve		**47,817**	–
Available-for-sale securities: net movement in the fair value reserve		**16,911**	(16,911)
Share of other comprehensive income of an associate		**48,000**	–
Other comprehensive income for the year		**64,601**	48,592
Total comprehensive income for the year		**19,352,125**	18,346,141
Attributable to:			
Equity shareholders of the Company		**15,817,687**	15,167,141
Non-controlling interests		**3,534,438**	3,179,000
Total comprehensive income for the year		**19,352,125**	18,346,141

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment		**4,802,910**	3,475,223
Investment properties		**5,072,340**	6,366,655
Intangible assets		**757,159**	263,487
Interest in associates	*10*	**7,988,683**	3,633,457
Interest in joint ventures	*11*	**11,244,974**	6,897,969
Other financial assets		**133,180**	2,572,246
Other non-current assets		**9,587,611**	10,424,440
Deferred tax assets		**4,016,200**	3,525,262
		43,603,057	37,158,739
Current assets			
Inventories		**314,930,234**	329,731,930
Trade and other receivables	*12*	**83,315,377**	68,218,739
Other current assets		**4,076,000**	–
Pledged and restricted deposits		**1,061,934**	1,361,261
Cash and cash equivalents		**61,653,320**	43,004,149
		465,036,865	442,316,079
Current liabilities			
Bank loans and borrowings from financial institutions		**22,832,358**	32,624,307
Trade and other payables	*13*	**313,966,609**	287,941,763
Current taxation		**8,855,063**	8,355,764
		345,654,030	328,921,834
Net current assets		**119,382,835**	113,394,245
Total assets less current liabilities		**162,985,892**	150,552,984

	Note	2014 RMB'000	2013 RMB'000
Non-current liabilities			
Bank loans and borrowings from financial institutions		**34,536,712**	36,683,128
Bonds payable		**11,612,232**	7,398,392
Deferred tax liabilities		**821,467**	942,209
Provisions		**53,423**	46,877
Other non-current liabilities		**68,441**	42,955
		47,092,275	45,113,561
NET ASSETS		**115,893,617**	105,439,423
CAPITAL AND RESERVES			
Share capital		**11,037,507**	11,014,969
Reserves		**77,127,063**	65,881,014
Total equity attributable to equity shareholders of the Company		**88,164,570**	76,895,983
Non-controlling interests		**27,729,047**	28,543,440
TOTAL EQUITY		**115,893,617**	105,439,423

NOTES

1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for current accounting period of the Group. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period in preparing the consolidated financial statements.

2 BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2014 comprise the Group and the Group's interest in associates and joint ventures.

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

- financial instruments classified as available-for-sale;
- derivative financial instruments.

The preparation of financial statements in conformity with IFRSs requires management to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to IFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*
- Amendments to IAS 39, *Novation of derivatives and continuation of hedge accounting*
- IFRIC 21, *Levies*

Amendments to IFRS 10, IFRS 12 and IAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on these financial statements as the Company does not qualify to be an investment entity.

Amendments to IAS 39, Novation of derivatives and continuation of hedge accounting

The amendments to IAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on these financial statements as the Group has not novated any of its derivatives.

IFRIC 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on these financial statements as the guidance is consistent with the Group's existing accounting policies.

4 TURNOVER AND SEGMENT REPORTING

(a) Turnover

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

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

	2014	2013
	RMB'000	*RMB'000*
Sale of properties	**133,752,347**	123,545,835
Construction contracts	**1,547,659**	1,431,580
Property management and related services	**1,874,018**	1,384,676
Others	**820,019**	1,091,674
	137,994,043	127,453,765

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

(b) Segment reporting

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

- Property development (Beijing region/Guangshen region/Shanghai region/Chengdu region): given the importance of the property development division to the Group, the Group's property development business is segregated further into four reportable segments on a geographical basis, as the divisional managers for each of these regions report directly to the senior executive team. All four segments mainly derive their revenue from development and sale of residential properties. The properties are mainly sold to individual customers; therefore, the Group does not have major customers. Currently the Group's activities in this regard are carried out in the PRC. Details about the specific cities covered by each region are set out in note 4(b)(i).

- Property management: this segment provides property management and related services to purchasers and tenants of the Group's own developed residential properties and shopping arcades, as well as those developed by the external property developers. Currently the Group's activities in this regard are also carried out in the PRC.

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

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

Segment assets include all tangible, intangible assets, other investments and current assets in Mainland China with the exception of deferred tax assets and other corporate assets. Segment liabilities include trade and other payables, accruals, bank loans and borrowings from financial institutions, and the provision for the estimated losses to be borne by the Group in relation to the property management projects in Mainland China, but excluding deferred tax liabilities.

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

The measure used for reporting segment profit is the profit before PRC Corporate Income Tax ("CIT"), excluding share of profits or losses of associates or joint ventures, dividend income, other income and other operating expenses in Mainland China, but including the provision for doubtful debts and the profit arising from the inter-segment transactions. PRC Land Appreciation Tax ("LAT") which is considered directly attributable to the sale of properties is deducted from the segment profit for the review by the Group's most senior executive management.

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

	Real estate development *(note (1))*					
	Beijing region *RMB'000*	Guangshen region *RMB'000*	Shanghai region *RMB'000*	Chengdu region *RMB'000*	Property management *RMB'000*	Total *RMB'000*
2014						
Revenue from external customers, before sales taxes	35,921,321	44,782,589	39,624,642	23,774,122	2,159,594	146,262,268
Inter-segment revenue	60,698	–	–	–	1,143,385	1,204,083
Reportable segment revenue, before sales taxes	35,982,019	44,782,589	39,624,642	23,774,122	3,302,979	147,466,351
Reportable segment profit	3,752,857	9,181,784	6,031,776	2,615,913	419,592	22,001,922
Interest income	274,321	113,969	243,474	180,853	15,932	828,549
Interest expense	324,305	127,425	163,192	80,268	60	695,250
Share of profits less losses of associates and joint ventures	557,716	1,063,944	157,770	62,744	–	1,842,174
Reportable segment assets	127,920,973	158,188,076	146,596,483	96,185,820	5,125,196	534,016,548
Reportable segment liabilities	103,001,963	137,459,598	124,530,419	84,998,870	4,587,320	454,578,170

	Real estate development *(note (1))*					
	Beijing region *RMB'000*	Guangshen region *RMB'000*	Shanghai region *RMB'000*	Chengdu region *RMB'000*	Property management *RMB'000*	Total *RMB'000*
2013						
Revenue from external customers, before sales taxes	34,161,220	44,486,732	28,437,284	26,366,506	1,496,549	134,948,291
Inter-segment revenue	–	7,022	36,702	85,038	963,118	1,091,880
Reportable segment revenue, before sales taxes	34,161,220	44,493,754	28,473,986	26,451,544	2,459,667	136,040,171
Reportable segment profit	4,280,586	9,814,273	4,164,414	5,219,673	267,483	23,746,429
Interest income	372,694	149,186	103,289	96,673	7,480	729,322
Interest expense	512,137	307,911	270,247	40,450	27	1,130,772
Share of profits less losses of associates and joint ventures	221,971	266,008	503,324	15,905	–	1,007,208
Reportable segment assets	128,235,137	149,990,835	143,642,921	93,395,165	4,229,476	519,493,534
Reportable segment liabilities	105,186,108	127,572,661	124,097,766	83,246,700	3,634,335	443,737,570

Note (1): Beijing region represents Beijing, Tianjin, Shenyang, Anshan, Dalian, Qingdao, Changchun, Yantai, Jilin, Taiyuan, Tangshan, Langfang, Fushun, Qinhuangdao, Jinzhong, Rizhao, Yingkou and Jinan.

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

Shanghai region represents Shanghai, Hangzhou, Suzhou, Ningbo, Nanjing, Zhenjiang, Nanchang, Hefei, Yangzhou, Jiaxing, Wuhu, Wenzhou, Nantong, Changzhou, Kunshan, Wuxi and Xuzhou.

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

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

	2014	2013
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**147,466,351**	136,040,171
Elimination of inter-segment revenue	**(1,204,083)**	(1,091,880)
Unallocated revenue	**125,736**	470,500
Sales taxes	**(8,393,961)**	(7,965,026)
Consolidated turnover	**137,994,043**	127,453,765
Profit		
Reportable segment profit	**22,001,922**	23,746,429
Elimination of inter-segment profit	**(268,475)**	(201,134)
Share of profits less losses of associates and joint ventures	**2,043,135**	999,398
Dividend income	**1,969**	1,405
Other net income, excluding net exchange difference	**2,473,866**	115,962
Other operating expenses, excluding provision for doubtful debts	**(75,691)**	(82,476)
Unallocated expenses	**(924,363)**	(288,574)
LAT	**4,734,459**	3,556,223
Consolidated profit before taxation	**29,986,822**	27,847,233
Assets		
Reportable segment assets	**534,016,548**	519,493,534
Elimination of inter-segment receivables	**(247,125,912)**	(248,637,988)
Unallocated assets	**221,749,286**	208,619,272
Consolidated total assets	**508,639,922**	479,474,818
Liabilities		
Reportable segment liabilities	**454,578,170**	443,737,570
Elimination of inter-segment payables	**(224,011,930)**	(229,033,534)
Unallocated liabilities	**162,180,065**	159,331,359
Consolidated total liabilities	**392,746,305**	374,035,395

(iii) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, investment properties, intangible assets, interest in associates, interest in joint ventures, other financial assets and other non-current assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment and investment properties, the location of the operation to which they are allocated, in the case of intangible assets, other financial assets and other non-current assets, and the location of operations, in the case of interest in associates and joint ventures.

	Revenue from external customers	
	2014	2013
	RMB'000	*RMB'000*
Mainland China	**137,926,348**	127,388,864
Hong Kong	**67,695**	64,901
	137,994,043	127,453,765

	Specified non-current assets	
	2014	2013
	RMB'000	*RMB'000*
Mainland China	**37,031,669**	29,639,228
Hong Kong	**1,169,152**	3,546,945
The United States of America ("USA")	**1,386,036**	447,304
	39,586,857	33,633,477

5 OTHER NET INCOME

	2014	2013
	RMB'000	*RMB'000*
Forfeited deposits and compensation from customers	**102,515**	60,698
Net gain on disposals of subsidiaries	**1,485,818**	4,645
Net loss on disposals of financial derivatives	**(11,687)**	(1,539)
Net loss on disposals of property, plant and equipment	**(2,168)**	(4,475)
Net realised and unrealised gain/(loss) on financial derivatives	**11,013**	(572)
Net exchange gain/(loss)	**60,605**	(49,716)
Fair value reserve reclassified from other comprehensive income	**(73,154)**	–
Gain on remeasurement of retained investment in former subsidiaries upon loss of control	**915,673**	–
Other sundry income	**45,856**	57,205
	2,534,471	66,246

6 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2014	2013
	RMB'000	*RMB'000*
Interest on interest-bearing borrowings	**6,834,627**	6,574,831
Less: Interest expense capitalised into inventories, investment properties and construction in progress	**(5,287,829)**	(5,079,329)
	1,546,798	1,495,502

(b) Staff costs

	2014	2013
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**4,925,324**	4,593,771
Contributions to defined contribution retirement plan	**297,145**	250,187
Equity-settled share-based payment expenses	**2,576**	35,814
	5,525,045	4,879,772

(c) Other items

	2014	2013
	RMB'000	*RMB'000*
Depreciation and amortisation	**548,905**	179,235
Impairment loss on trade and other receivables	**26,019**	67,202
Cost of inventories*	**99,933,150**	90,130,317

* Cost of inventories included write-down of inventories RMB763,746,000 (2013: reversal of write-down of RMB7,048,000).

7 INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	2014	2013
	RMB'000	*RMB'000*
Current tax		
Provision for CIT and Hong Kong Profits Tax	**6,590,729**	6,476,368
Provision for LAT	**4,772,785**	3,414,936
Withholding tax	**35,125**	50,003
	11,398,639	9,941,307
Deferred tax		
Origination and reversal of temporary differences	**(699,341)**	(391,623)
	10,699,298	9,549,684

(i) CIT and Hong Kong Profits Tax

The provision for CIT is calculated based on the estimated taxable income at the rates applicable to each company in the Group. The income tax rates applicable to the principal subsidiaries in the PRC are 25% (2013: 25%), except for certain subsidiaries which enjoy a preferential income tax rate.

The provision for Hong Kong Profits Tax for 2014 is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the year.

(ii) LAT

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

(iii) Withholding tax

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

8 DIVIDENDS

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

	2014	2013
	RMB'000	*RMB'000*
Dividend to be proposed at the Company's forthcoming annual general meeting of RMB0.50 per share (2013: RMB0.41 per share)	**5,518,754**	4,516,137

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

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

	2014	2013
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.41 per share (2013: RMB0.18 per share)	**4,516,137**	1,981,401

9 BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB15,745,454,000 (2013: RMB15,118,549,000) and the weighted average of ordinary shares of 11,016,872,000 (2013: 11,012,916,000) shares in issue during the year, calculated as follows:

Weighted average number of shares:

	2014	2013
	Shares'000	*Shares'000*
Issued shares at 1 January	**11,014,969**	10,995,307
Effect of share options exercised	**1,903**	17,609
Weighted average number of shares at 31 December	**11,016,872**	11,012,916

The Group has a share option scheme which was adopted on 25 April 2011. The scheme gives rise to potential A shares of the Company. The potential A shares have no significant diluted effect for the year ended 31 December 2014 and 2013.

10 INTEREST IN ASSOCIATES

	2014	2013
	RMB'000	*RMB'000*
Share of net assets		
– listed in Hong Kong*	**2,881,637**	–
– unlisted	**5,107,046**	3,633,457
	7,988,683	3,633,457

* In October 2013, the Group invested in the initial public offering of H shares of Huishang Bank Corporation Limited ("Huishang Bank") on the Stock Exchange of Hong Kong Limited. The aggregated number of shares subscribed by the Group accounts for 8% of the total number of shares of Huishang Bank. The Group initially recognised its investment in Huishang Bank as available-for-sale equity securities under "other financial assets" at the initial recognition.

During the year, the Group appointed a director in Huishang Bank and commenced to have significant influence over the management, including participation in the financial and operating policy decisions in Huishang Bank. Accordingly, the Group reclassified its investment in Huishang Bank to interest in an associate, and the excess of the net fair value of Huishang Bank's identifiable assets and liabilities measured as the date of significant influence existed over the carrying value of the Group's investment in Huishang Bank at the same date of RMB 202,766,000 is recognised as share of profits of associates in profit or loss.

11 INTEREST IN JOINT VENTURES

	2014	2013
	RMB'000	*RMB'000*
Share of net assets	**11,244,974**	6,897,969

12 TRADE AND OTHER RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Trade debtors	**1,927,009**	3,115,719
Less: allowance for doubtful debts	**(32,937)**	(36,749)
	1,894,072	3,078,970
Other debtors	**21,063,445**	18,146,944
Amounts due from associates	**6,768,972**	5,827,704
Amounts due from joint ventures	**21,092,046**	10,840,669
Prepayments	**29,433,126**	28,653,665
Gross amount due from customers for contract work	**3,027,311**	1,670,787
Derivative financial instruments	**36,405**	–
	83,315,377	68,218,739

Trade receivables are primarily related to proceeds from the sale of properties. Proceeds from the sale of properties are made in lump-sum payments or paid by mortgage loans from banks in accordance with the terms of the corresponding sale and purchase agreements. The Group normally would not transfer the property ownership to the buyer until full payment.

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the date the trade debtors recognised and net of allowance for doubtful debts, is as follows:

	2014	2013
	RMB'000	*RMB'000*
Within 1 year	**1,432,014**	2,650,005
1 to 2 years	**228,877**	264,508
2 to 3 years	**162,626**	143,763
Over 3 years	**70,555**	20,694
	1,894,072	3,078,970

13 TRADE AND OTHER PAYABLES

	2014	2013
	RMB'000	*RMB'000*
Trade creditors and bills payable	**88,339,094**	78,742,359
Other payables and accruals	**35,214,020**	40,512,906
Amounts due to associates	**2,447,727**	2,519,356
Amounts due to joint ventures	**5,879,922**	10,346,141
Receipts in advance	**181,749,337**	155,518,071
Derivative financial instrument	**–**	11,687
Interest payables	**336,509**	291,243
	313,966,609	287,941,763

Included in trade payable are trade creditors and bill payables with the following ageing analysis as of the end of each reporting period, based on the invoice date:

	The Group	
	2014	2013
	RMB'000	*RMB'000*
Current or payable on demand	**87,760,799**	78,195,359
Due after one year	**578,295**	547,000
Total	**88,339,094**	78,742,359

II TO SHAREHOLDERS

Vanke celebrates its 30th anniversary in 2014. Let us welcome the next decade and celebrate the last. Yet, we cannot simplify the company's evolution using a 10-year cycle model. Unlike the decennials we've celebrated, the one beginning in 2014 is crucial for us as it raises the question, "What will the future bring us and where are we heading?" It's a question we had never taken so seriously until 2014.

The world around us is changing drastically. As the real estate industry shifts from the Golden Age to the Silver Age, mobile internet technologies are revolutionizing the way the corporate world moves. Our planet is changing rapidly, and so is the success paradigm we have long relied on.Apparently, it's time to rethink our approach to success.

The Silver Age: From Vision to a Vague Reality

What's the vision for Silver Age and how long will it last? We tried to answer that question through a 2014 study on global property values, which examined 27 economies with relatively complete statistics (namely Ireland, Austria, Australia, Belgium, Denmark, Germany, France, Finland, South Korea, the Netherlands, Canada, Luxemburg, Malaysia, the U.S., South Africa, Norway, Portugal, Japan, Sweden, Switzerland, Thailand, Spain, Hong Kong, New Zealand, Italy, the UK and Taiwan) over a period of 40 years.

Over the last four decades, all 27 economies except Germany have reported 100-plus percent cumulative growth in house prices, including growth in prices of more than 500% (12 cases) and 1,000% (5 cases). 14 out of 61 recorded cases of upsurge in prices were followed by a precipitous tumble. Japan is the only region where house prices have kept falling for 20 years with no signs of letup. We identified predictive indicators for differentiating between the 14 upsurges that preceded downward price movements and the 47 that didn't, and then developed a price trend forecast for China to draw a conclusion.

With relative optimism, we concluded that Chinese house prices will not drop precipitously in the Silver Age and the residential development sector will remain a huge and sustainable one. However, rapid surges in house prices or fast, industry-wide expansions will not be common as before.

That means, despite our consistent focus on residential properties, we must finish exploring new business opportunities and establishing a new business model in the coming decade, so as to achieve satisfactory growth and lay a foundation for the second 10-year development.

A new service is developed in a three-stage process. The top priority in the first stage, characterized by a growth from 0 to 1, is building a persuasive business model; The second stage, characterized by a growth from 1 to 10, depends on verifying the reproducibility of past successes; In the third stage, which is marked by a steady expansion from 10 to 100, the key is improvement on operational efficiency and competitiveness in a continued pursuit of development potential and rewards.

In the next three years, the main objective of Vanke's new business is to identity the "1," or "1." s.

The Age of Mobile Internet: What Changes and What Doesn't

Business opportunities are available so long as there is a market economy. In other words, there are countless "1s" out there and all well-funded casual investors can find their "1s" effortlessly, although it takes time to find the truly suitable ones that meet their respective needs.

Our 2014 efforts in developing new services will be based on two evaluation criteria. First of all, the new service must embody Vanke's strengths or potential and match the corporate DNA, structural characteristics, customer base and competitive advantages. Secondly, it should reflect Vanke's growth prospects in accordance with, and not against, the mobile Internet trends.

Vanke's management team spent the last two years visiting several Internet companies or leading firms that have received much attention in the mobile Internet age, hoping to find out -- through dialogue, self-learning and reasoning -- what changes and what stays constant as we embrace the new era.

We realized "being nice to customers," the timeless maxim in the corporate world, would become even more relevant in the mobile Internet age. This is because the enhanced information symmetry and transparency makes shopping around so much easier for buyers, generating a higher level of competition.This in turn calls for more competitive products and services that attract customers.

There are three dimension of the mobile Internet age's impact on the real estate sector:

In the first or residential property dimension, our customers will be concerned with not only the house, but also the services relevant to housing experiences and "community-building" interactions with neighbors.

Regarding the "consumer properties" dimension, e-commerce poses a severe threat to conventional retailers, leaving more and more physical malls replaced by next-generation shopping centers that are focused on hands-on experiences and displays. Meanwhile, youngsters seeking for more enriching lives will fuel the demand for diversified vacation experiences, rather than homogeneous tourism services.

As for industrial real estate, the emerging maker culture, SMEs and micro businesses would become the major driving force behind China's economic growth. Hence, there is a need to completely revamp and modernize the logistic properties.

Vanke's next 10-year vision, therefore, can be summed up as a provider of "3 Goods" Residences and integrated urban property services, with the latter expected to become as important as the former within 10 years.

A "3 Goods" residence consists of a good house, good services and good neighborhood. We will unleash the full potential of the Internet by constantly matching the industry's and consumers' latest definitions of, or criteria for, a superior housing experience, and eventually maintain and expand our status as a competitive housing provider. We are firmly convinced that improved customer value will provide better rewards for shareholders. We are seeking an increase of Return On Investment (ROI) that exceeds sales expansion while ensuring shareholders record-high ROI. Also, we plan to pay more cash dividends to shareholders as our capital efficiency improves.

As a provider of integrated urban property services, we will offer new types of properties according to mobile Internet trends, instead of concentrating on conventional commercial real estate. We also plan to introduce services derived from our customer resources and competitive access to technologies or credit. This service integration policy will be further clarified over the next three years.

Business Partners: From Joint Creation to Profit-sharing to Joint Liability

In the Silver Age, with the residential real estate sector's profitability and POI declining towards the average level, what should we do to debunk stereotypes about corporate development and deliver a ROI growth that exceeds the sales growth, while simultaneously delivering record-high rewards to shareholders?

Moreover, how can Vanke, a company with more than 200 billion Yuan RMB in annual sales, tackle the "innovation dilemma" typical of large enterprises and successfully launch new services with the kind of passion seen in a startup?

The answer to those questions might be a systematic engineering effort, or more importantly, the partnership program in which our confidence lies in.

Our partnership program is built on economic profits and performance bonuses. As one of China's first companies to include economic profits in the core evaluation criteria, we realized that equity investments incur a cost much higher than that of debt capital. The economic profit after discounting opportunity cost of equity capital is the net value we have created for shareholders.

Since the 2010 launch of economic profit-based bonus program, our fully diluted ROE has risen over the years to 19.66% in 2012-2013 period, the highest in two decades. Our share price, nevertheless, has since fluctuated much and we realized that our shareholders expect us to attach equal importance to ROI and share prices. While we cannot change preferences and volatility in the capital market, we can at least show shareholders that Vanke's management staff shares the same interests with them in terms of share prices.

We introduced in 2014 a shareholder-partner program and a co-investment policy, treating our core staff as stakeholders alongside company shareholders. Both the shareholder-partner or co-investment initiative have contributed' to our leverage, exposing our partners to greater investment risks than the shareholders.

Joint liability, or the expectation that a partner shares investment risks with the shareholders, is the greatest difference between partners and professional executives. Vanke's combination of variable pay, performance bonuses and equity incentives leads to an executive-shareholder relationship that is defined by joint creation and profit-sharing; but its partner-shareholder relationship involves one more factor: joint liability.

As we implement joint creation, profit-sharing and joint liability simultaneously, our management staff shares common interests with shareholders, which in turn gives the entire staff a better, more direct sense of operational soundness and enhances their dedication towards the company. In 2014, we were heartened to see our branches in large cities take a cautious approach towards investment; our employees make considerable innovations among other efforts to improve efficiency or reduce waste; employees started to pay attention to tasks beyond their scope of responsibilities. Such self-incentivisation and "mutual-management" between colleagues are more effective than any externally imposed rule.

Our partnership program nurtures not only dedicated executives but entrepreneurial talent. After all, dedication and entrepreneurship matter more than anything else in the process of starting a business.

The program provides a significant foundation and safeguard either in terms of the efficiency and benefits of our existing operations, or innovations and exploration of new services. As a matter of fact, it may go down in history as a giant leap in business administration.

It's truly an honor to embark on such a great journey, and the journey has only just begun.

III MANAGEMENT DISCUSSION AND ANALYSIS

Changes in market environment and the Company's perspective

After the sharp rebound of the housing market in 2013, the turnover in 2014 entered into its adjustment period. During the Reporting Period, sales area and sales amount of commodity housing in the country amounted to 1,052 million sq.m. and RMB6.24 trillion respectively, representing year-on-year decreases of 9.1% and 7.8% respectively, but it was still higher than 2012 by 6.8% and 18.4% respectively. In order to stabilize the development in the market, the working report prepared by the government in March 2014 stated that different market segments would be subject to different macro-economic control measures. Since June, more than 40 cities across the country altered the original policy on limiting property purchase. By the end of September, the Central bank and China Banking Regulatory Commission issued a notice and altered the policy on limiting borrowing policy. It was proposed that supports should be given to people in obtaining property loans and fulfilling the financing needs of the property developers. In November, the central bank reduced benchmark deposit and lending rates first time for more than two years. Driven by a number of factors, confidence was restored in the market during the fourth quarter. Sales area of commodity housing for the first, second and third quarter of 2014 decreased by 5.7%, 9.3% and 14.2%, respectively, with the extent further increasing quarter by quarter, and it was only until the fourth quarter that the rate of decrease was reduced to 6.9%.

Compared to the national market, the changes in the transaction amounts at the major cities were more appealing. During the Reporting Period, the area of new residential properties sold in the 14 major cities (Beijing, Shanghai, Shenzhen, Guangzhou, Tianjin, Shenyang, Hangzhou, Nanjing, Chengdu, Wuhan, Dongguan, Foshan, Wuxi, and Suzhou) with relatively more historical and observable information, decreased by 24.2%, 17.9% and 19.5% in the first three quarters of 2014 as compared with the same period last year, whilst we recorded an increase of 8.3% in the fourth quarter of 2014 as compared with the same period last year.

During the Reporting Period, the approved pre-sales area of new housing at the above cities was 4.3% higher as compared with the same period last year. At the beginning of the year, as there were not much new projects launched, the sales area of commodity housing to approved pre-sales area of new housing in the 14 cities during the first quarter was basically maintained at the proportion of 1 : 1. As more projects were launched into the market, the sales to approved pre-sales ratio (sales area of commodity housing/approved pre-sales area of the same period) for the second and the third quarter fell to 0.65 and 0.66. During the fourth quarter, being driven by the recovery in sales, the sales to approved pre-sales ratio increased to 0.96. The supply of new housing and the sales resumed to a more balanced state.

As at the end of 2014, new housing inventory (those area that had already obtained sales permit but not yet sold) in the abovementioned cities amounted to 152 million sq.m., up from 122 million sq.m. as at the end of 2013. The duration for the market to absorb housing inventory once increased to 16.5 months in August and September (inventory area/3-month moving average of sales area of commodity house). Upon the recovery of turnover at the end of the year, the duration for the market to absorb housing inventory fell back to 11.3 months (end of 2013: 9.8 months).

During the Reporting Period, investment in residential property development in China fell from 19.4% in 2013 to 9.2%. The floor area of new housing commencing construction decreased from 1.46 billion sq.m. in 2013 to 1.25 billion, which was the lowest since 2010. The slow down with investment in resident property development and the floor area of new housing commencing construction will reduce the supply of new properties in the coming one to two years and provide more room for the market to absorb housing inventory.

The major land market showed fall in volume and rise in price. The land supply and area traded on housing (including commercial and residential) at the above cities fell by 40.0% and 45.1%. Despite the fall in transaction the auction bottom price for the transfer of land will continue to increase. During the fourth quarter the auction bottom price for the above cities increased by 71.9% as compared with the same period last year. As the enterprises generally expanded their coverage in the central business districts of the cities, the land auction at certain popular hot urban cities were still intense with land premium hitting new heights. The Company remained cautious to land lots with too positive valuation, and insisted at rational investment through scientific judgments during auctions.

Business Review

The Company is engaged in professional property development with its principal operation including property development and property services.

In 2014, the turnover of the Group was RMB137.99 billion, an increase of 8.3% from RMB127.45 billion in 2013. Net profit attributable to the shareholders was RMB15.75 billion, an increase of 4.2% from RMB15.12 billion in 2013. Basic earnings per share was RMB1.43, an increase of 4.2% from RMB1.37 in 2013.

Unit: RMB'000

Sector	**Turnover**		**Cost of sales**		**Operating profit margin** [Note]	
	Amount	**Change**	**Amount**	**Change**	**Value**	**Change**
1. Core businesses	137,174,024	8.56%	103,283,899	11.41%	21.33%	-2.24 percentage points
Include: Property development	135,300,006	8.26%	101,675,669	11.07%	21.43%	-2.26 percentage points
Property service	1,874,018	35.34%	1,608,230	38.22%	14.05%	1.10 percentage points
2. Other businesses	820,019	-24.88%	75,236	-28.74%	73.47%	-17.71 percentage points
Total	**137,994,043**	**8.27%**	**103,359,135**	**11.36%**	**21.64%**	**-2.51 percentage points**

Note: The operating profit margin had already deducted the LATs.

(1) Business segments

Property development business

The key products of the Group are commodity residential properties. During the Reporting Period, the Group insisted at the positioning of mainstream products and consistently implemented its aggressive sales strategies. As such there recorded stable growth in the sales result. In 2014, the Group's sales area and sales amount were 18.064 million sq.m. and RMB215.13 billion respectively, representing year-on-year increases of 21.2% and 25.9% respectively. In terms of the total sales of commodity housing in the PRC at an amount of RMB7.62924 trillion, the Group accounted for 2.82% of the domestic market in 2014 (2013: 2.09%).

In 2014, the Group's products remained to focus at small and medium-sized general commodity housing. Among the commodity housing sold by the Group in 2014, over 90% were units of floor area below 144 sq.m..

The Group insists on the development strategy of focusing to develop around the urban area. As at the end of 2014, the Group had presence at 65 cities in Mainland China, which were distributed at Guangshen Region with the Pearl River Delta as the core, the Shanghai Region with the Changjiang River Delta as the core, the Beijing Region with the Bohai-Rim Region as the the core and the Chengdu Region comprised of core cities at Central and Western China.

Domestic sales in terms of geographical regions

	Sales area *(sq.m.)*	**Proportion**	**Sales amount** *(RMB mn)*	**Proportion**
Guangshen Region	4,837,964	26.78%	618.57	28.75%
Shanghai Region	4,911,325	27.19%	690.45	32.10%
Beijing Region	4,343,555	24.05%	508.96	23.66%
Chengdu Region	3,971,215	21.98%	333.31	15.49%
Total	**18,064,059**	**100.00%**	**2,151.29**	**100.00%**

Moreover, since 2013, the Group began to invest in overseas market. As at the end of the Reporting Period, the Group already entered four cities overseas, namely San Francisco, Hong Kong, Singapore and New York, and participated in the development of six property projects.

In 2014, the booked area and booked revenue of the Group's property projects were 12.59 million sq.m. and RMB135.30 billion respectively, representing increases of 2.3% and 8.3% respectively when compared the same period last year. As of the end of the reporting period, the Group had an area of 16.70 million sq m of resources sold but not yet booked with a total contract amount of about RMB194.60 billion, represented an increase of 16.2% and 19.9% respectively as compared with the end of 2013.

In recent years, as the industry became increasingly affected by macro-economic control measures over the market, competition and the increasing proportion of land premium, the profit margin of real estate industry generally declined. In 2014, the booked gross profit margin of the property development business of the Group was 21.43%, 2.26 percentage points decrease from the previous year. Net profit margin was 12.07%, with 0.69 percentage points lower than that in year 2013.

Property Services Business

The Group is engaged with property services through China Vanke Property Development Co., Ltd. ("Vanke Property"). At the end of 2014, the group property service had presence at 61 first tier and second tier cities in Mainland China with 457 service projects. Area managed up to 103.40 million sq.m.. In 2014, the group property service business achieved revenue of RMB1,874 million from its core businesses representing an increase of 35.3%. Property service sector's gross profit margin in 2014 was 14.05%, which was 1.05 percentage points higher than that in 2013.

(2) Geographical segments

In 2014, the Group achieved turnover of RMB137.99 billion and net profit of RMB15.75 billion. In terms of geographical region, the Guangzhou-Shenzhen area shared a higher proportion whilst the Chengdu region shared a lower proportion.

Analysis of revenue and profit in terms of geographical regions

	Booked area *(sq.m.)*	**Proportion**	**Revenue** *(RMB'000)*	**Proportion**	**Net profit** *(RMB'000)*	**Proportion**
Guangshen Region	3,768,937	29.93%	42,251,615	31.22%	7,433,210	45.39%
Shanghai Region	2,833,604	22.51%	37,164,998	27.47%	5,448,285	33.27%
Beijing Region	3,257,816	25.88%	33,630,191	24.86%	1,923,748	11.75%
Chengdu Region	2,729,721	21.68%	22,253,202	16.45%	1,570,228	9.59%
Total	**12,590,078**	**100.00%**	**135,300,006**	**100.00%**	**16,375,471**	**100.00%**

Note: During the Reporting Period, regarding the cities with projects booked, as to Guangshen Region, there included Guangzhou, Shenzhen, Foshan, Dongguan, Qingyuan, Fuzhou, Putian, Xiamen, Changsha, Huizhou, Zhuhai, Zhongshan, Sanya; as to Shanghai Region, there included Shanghai, Hangzhou, Jiaxing, Nantong, Nanjing, Wuxi, Zhenjiang, Suzhou, Yangzhou, Xuzhou, Hefei, Wuhu, Ningbo, Wenzhou, Nanchang; as to Beijing Region, there included Beijing, Langfang, Tangshan, Qinhuangdao, Tianjin, Shenyang, Taiyuan, Dalian, Anshan, Fushun, Changchun, Jinan, Qingdao, Yantai; as to Chengdu Region there included Chengdu, Chongqing, Wuhan, Xi'an, Zhengzhou, Guiyang, Kunming, Urumqi.

Project development and status of progresses

The Group insists at a prudent strategy in acquiring land. Under the premises of strictly controlling investment risks, we selectively replenish premier project resources according to actual development needs. In 2014, the Group added 41 new development projects with site area attributable to Vanke of approximately 2.06 million sq.m. and GFA attributable to Vanke of approximately 5.91 million sq.m.. The average GFA cost was approximately RMB4,372/sq.m..

No.	City	Project	Location	% of shareholding	Site area (sq.m.)	Planned GFA	GFA attributable to Vanke's equity holding (sq.m.)	Progress
1	Shenzhen	Sanguan Project	Longgang	34.0%	66,600	250,600	85,204	Preliminary
2	Shenzhen	Jiayueshan Garden	Longgang	60.0%	37,982	113,950	68,370	Under construction
3	Shenzhen	Metro Mangrove Bag Project	Nanshan	49.0%	68,285	419,000	205,310	Preliminary
4	Shenzhen	Jinyu Jiuyue Garden	Longhua New Area	94.9%	61,000	146,000	138,569	Preliminary
5	Guangzhou	Huangpu Bus Station Project	Huangpu	65.0%	26,700	96,700	62,855	Under construction
6	Guangzhou	Xinfuyu Garden	Huangpu	17.3%	259,300	543,939	94,319	Under construction
7	Guangzhou	Yunkai Horal town	Tianhe	25.0%	13,200	49,236	12,309	Under construction
8	Guangzhou	Vanke Cloud Phase 2	Tianhe	98.9%	89,229	357,433	353,644	Preliminary
9	Dongguan	Joying Gold House	Chang'an Town	75.1%	46,666	116,666	87,558	Under construction
10	Zhuhai	Golden Paradise	Xiangzhou	50.0%	11,333	70,480	35,240	Under construction
11	Fuzhou	Sanjiang kou Project	Cangshan	99.0%	80,014	412,488	408,363	Preliminary
12	Nanning	A Glamorous City	Liangqing	47.6%	104,174	332,381	158,047	Under construction
13	Shanghai	Zhao Lane at the Mountain	Qingpu	8.5%	95,991	97,911	8,322	Under construction
14	Shanghai	Southbridge Legend	Fengxian	17.0%	43,900	87,752	14,909	Under construction
15	Shanghai	New Town West	Songjiang	100.0%	57,433	80,405	80,405	Preliminary
16	Shanghai	Golden Paradise South Bridge	Fengxian	85.0%	58,531	134,622	114,429	Preliminary
17	Shanghai	Yuhe Mansion	Pudong New Area	22.6%	137,270	162,141	36,579	Preliminary
18	Hangzhou	Yuquan	Xihu	48.1%	58,667	99,734	47,952	Preliminary
19	Jiaxing	Cruise Hame Town	Economic Development Zone	70.0%	25,100	60,200	42,140	Under construction
20	Nanjing	Dream Town, Lishui	Lishui	98.8%	218,800	525,400	518,990	Under construction
21	Nanjing	Huidong	Yuhuatai	99.6%	55,308	144,316	143,667	Preliminary
22	Xuzhou	Dream Town Lot B	Gulou	100.0%	295,688	648,096	648,096	Under construction
23	Hefei	City Lights	Luyang	49.0%	151,514	424,239	208,047	Preliminary
24	Nanchang	No 5 Hongdu Lot	Qingyunpu	24.8%	27,879	94,053	23,363	Preliminary
25	Nanchang	Times Square Project	Honggutan	30.0%	83,800	293,400	88,020	Under construction
26	Beijing	Qiliqu Project	Changping	50.0%	68,944	240,089	120,045	Preliminary
27	Beijing	Zone 28 Project	Shunyi	49.6%	22,913	41,200	20,431	Preliminary
28	Beijing	Vanke Paradiso	Daxing	14.4%	47,000	94,797	13,651	Preliminary
29	Langfang	Huanqingcheng	Xianghe County	50.0%	38,200	76,400	38,200	Preliminary
30	Shenyang	Tiexi Blue Mountain	Tiexi	99.3%	51,832	155,497	154,409	Under construction
31	Dalian	Xianzai City	Ganjingzi	100.0%	39,224	71,254	71,254	Under construction
32	Qingdao	Eco New Town	Licang	100.0%	110,919	348,663	348,663	Preliminary
33	Qingdao	Utopia Phase 2	Chengyang	57.4%	78,560	148,104	85,012	Preliminary
34	Jinan	Parklane	Huaiyin	45.2%	48,763	149,225	67,509	Under construction
35	Xi'an	Happiness Garden	Weiyang	100.0%	65,628	229,698	229,698	Preliminary
36	Xi'an	Gaoxin Metropolis	Yanta	75.0%	114,745	476,559	357,419	Preliminary
37	Chongqing	Jinshang	Jiulongpo	96.2%	69,160	167,677	161,356	Under construction
38	Towngzhou	Vanke Meijing Glamous City Phase 3	Airport Area	51.0%	37,820	113,460	57,865	Preliminary
39	Towngzhou	Vanke Meijing Glamous City Phase 2	Airport Area	51.0%	4,094	12,000	6,120	Preliminary
40	Towngzhou	Vanke Meijing Dream Towns 1 (2)	Gaoxin	51.0%	134,578	530,833	270,725	Preliminary
41	Urumqi	Wonderland	Gaoxin	39.7%	188,748	566,243	224,798	Under construction
	Total				**3,295,492**	**9,182,841**	**5,911,862**	

The aggregate of land premium and consolidated redevelopment costs of the above projects attributable to the interests of the Company amounted to RMB25.8 billion.

During the Reporting Period, the Group's planned floor areas of new starts were 17.28 million sq.m., which was less than that was planned at the beginning of the year. During the year, in order to better adapt to the adjustment in the market, the Group devoted more efforts in market research. The design plan for certain projects were revised and optimized according to the needs of the potential customers. As a result there were additional preliminary works for the projects and resulted in the delay on the commencement of work for certain projects. Notwithstanding the above, the Group considered that these initiatives are necessary and the optimization of the products will further enhance the competitiveness and performances of the Group's products. This will ensure the inventory structure is safe and rational.

During the Reporting Period, the area actual completed by the Group amounted to 13.85 million sq.m., which was 6.2% higher than 2013' actual completion area and lower than the planned area at the beginning of the year.

As at the end of 2014, the Group had 417 development projects in Mainland China. GFA attributable to Vanke's equity holding of the projects under construction amounted to approximately 27.76 million sq.m. and GFA attributable to Vanke's equity holding of the projects under planning amounted to approximately 38.01 million sq.m. in total. In addition, the Group also participated in 7 urban redevelopment projects. At present, the demolition and relevant procedures are still in progress. According to the prevailing planning conditions, site area attributable to Vanke's equity holding in the relevant projects amounted to approximately 0.64 million sq.m., and the planned gross floor area attributable to Vanke's equity holding amounted to approximately 2.95 million sq.m..

ANALYSIS OF FINANCIAL CONDITION OF THE COMPANY

Return on equity

Since 2008, the Company has apparently to achieve growth through quality and efficiency. During the recent years, under the premises with a fall in gross profit margin, the Group still maintained a relatively high return on equity. Between 2012 and 2013, the Group's fully diluted return on equity was 19.66%, which was maintained at its historical high level.

During the Reporting Period, the Group continued to position an orientation towards the interests of shareholders, and used its best endeavours to improve the operation efficiency. The Group's fully diluted return on equity was 17.86%, representing a decrease from the historical high level of 2012 and 2013, but still maintained at a relatively high level. In order to facilitate the change in strategy, the Group tried to expand new businesses as an urban ancillary service provider. The investment in new businesses will hardly bring immediate and foreseeable revenue in the short term, but may provide more possibilities to the development of the Group in the long-term.

Investment gain

During the Reporting Period, the Group achieved investment gain of RMB4.16 billion, representing a substantial increase of 313.8% year-on-year. The substantial increase in investment gain was related to the emphasis of light asset-based operational model by the Group. The investment gain was mainly derived from the share of profit by Vanke in associates and joint ventures and gains from equity transfer through venture cooperation. Under the light asset-based operational model, such "investment gain" is recorded in the usual course of business and is not one-off. Although the Group already disposed certain development projects or equity interests in commercial properties, or certain associated or joint venture companies with related low percentage of shareholding, such projects or properties are still managed by the Group under usual circumstances. Therefore the Group may receive certain management fee, or require options exceeding the percentage of shareholding. These arrangements will be beneficial to increase the return on equity to the Group.

Asset impairment provision

During the Reporting Period, the adjustment in the price of housing and land in the urban area was relatively high. On the basis of prudent financial strategies, the Group made provision to inventory impairment of RMB760 million for 6 projects, namely Longwan Garden, Wenzhou, Haiyuntai, Yantai, Hongjun, Tongshan, The Paradiso, Fushun, Nanshanjun, Urumqi, Golden Paradise, Urumqi that may have risks subsisting according to the market conditions. After deducting deferred taxation, the effect of inventory impairment to the net profit after tax for the Reporting Period was RMB670 million and the effect to the net profit attributable to the owners of the parent was RMB570 million. In future the Group will continue to monitor the change of market environment, and adjust the asset impairment provision according to the actual situation. With the property sector entering into the Silver Era, the possibility that the fluctuation in the certain part of the market can occur will increase. This will also remind the Group that more awareness in risk control is needed in making decisions about how to invest in projects. During the Reporting Period, the Group introduced the project co-investment system, which directly linked the operating results of the project with the interests of the staff. This facilitated the subsidiaries to further improve the decision making process regarding investment of projects and control of risks over the investment projects. In future the Group will also continue to pay attention to the change in market environment, and adjust the inventory impairment provision according to the actual situation.

Distribution costs and administrative expenses

During the Period, the Group continued to focus on cost-efficiency ratio, and tightened its expense control. The distribution costs and administrative expenses in 2014 was RMB4.52 billion, accounting for 2.1% of the sales amount, representing a decline of 0.16 percentage point from that of the same period last year. Administrative expenses was RMB3.99 billion, accounting for 1.85% of the sales amount, representing an increase of 0.05 percentage point from that of the same period last year.

Cash position

The Group insisted in proactive sales and conducted its investment prudently. Its funding position had been maintained at a sound position. During the year, the Group applied cash flow as the core to enhance to control over operation and achieved net cash from operations of RMB41.72 billion. As such, the strength in funding was further enhanced. As at the end of the Reporting Period, the cash and cash equivalents (including pledged deposits) held by the Group amounted to RMB62.72 billion, which was 41.36% more than that of the end of 2013. A pool of sufficient funding provided powerful support to the Group for its project development and new businesses innovation in future.

At the end of the year, among the cash and cash equivalents held by the Group, Renminbi, US dollars, and Hong Kong dollars accounted for 96.32%, 2.46% and 1.22% respectively. The rest was Singapore dollars.

Interest-bearing borrowings

As at the end of 2014, the Group's total interest-bearing borrowings amounted to RMB68.98 billion, which accounted for 13.57% to total assets, a decrease of 2.44 percentage points from that of the end of 2013.

As at the end of the Reporting Period, within the interest-bearing borrowings of the Group, bank borrowings accounted for 39.94%, bonds payable accounted for 16.83% and other borrowings accounted for 43.23%.

Out of the interest bearing liabilities, fixed interest rate liabilities accounted for 16.83% and floating rate liabilities accounted for 83.17%. The Group has secured interest bearing liabilities of RMB1.17 billion, and accounted for 1.70% of total interest bearing liabilities.

Among the interest-bearing borrowings, the total amount of short term borrowings and interest-bearing borrowings due within one year was RMB22.83 billion, representing 33.10% of the total interest-bearing borrowings. interest-bearing borrowings due over one year amounted to RMB46.15 billion, accounting for 66.90% of total interest-bearing borrowings.

During the Reporting Period, the Group capitalized on its advantages in financing overseas and adequately utilised the low costs of funding from overseas to finance the development of the Company. As at the end of the Reporting Period, among the Group's total interest-bearing borrowings, 80.35% were domestic borrowings, and 19.65% were overseas borrowings. Meanwhile, among total interest-bearing borrowings 83.24% were denominated in RMB and 16.76% were denominated in foreign currencies. Liabilities denominated in foreign currencies increased by 5.68 percentage points from that of the same period in 2013.

During the Reporting Period, within the Group's total interest expense, there was a total capitalised amount of RMB5.29 billion. The rest interest expense amounted to RMB1.55 billion.

Gearing ratio

As at the end of the Reporting Period, the proportion of the Group's liabilities excluding the receipts in advance that did not constitute any actual repayment obligation accounted for 41.46% to total assets was, representing a decrease of 4.09 percentage points as compared with the end of 2013. Due to a substantial increase in cash and cash equivalent, the net gearing ratio (interest-bearing liabilities less cash and cash equivalents, divided by net assets) of the Group was 5.41%, representing a decrease of 25.27 percentage points, which was the lowest level since 2006.

Financing and Rating

In the second half of 2013, the Group established a US$2 billion Medium Term Notes ("MTN") Programme. In June 2014, the Group conducted its fourth bond issuance in accordance with the MTN Programme, issuing US$400 million five-year fixed rate bonds with an annual coupon rate of 4.5%.

In order to expand the financing channels and optimize the debt structure, the Company kicked off the its domestic interbank financing program. In November 2014, it was considered and approved in the extraordinary general meeting of the Company that the Company would issue debt financing instruments not exceeding the limit of RMB15 billion. On 26 December 2014, the Company completed its issue of medium term note with an amount of RMB1.8 billion. The tenor for this medium term notes is three years and the coupon rate is 4.7%.

During the Reporting Period, Standard & Poor's, Moody's and Fitch's Ratings continued to maintain BBB+, Baa2 and BBB+ ratings for the Group's long-term credit rating and a stable rating for its outlook. The Company's sound business management, prudent financial management and strong credibility built in the capital market continued to gain recognition from authoritative international rating agencies.

Capital expenditure commitments

As of the end of the reporting period, the capital commitments of the Group reached RMB84.24 billion, including the construction contract entered into or to be executed by the Group, as well as the land contract signed.

Contingent liabilities

In accordance with industry practice, the Group will provide provisional guarantee for mortgage loans taken by purchasers of the Group's properties. The term of the provisional guarantee commenced on the day the guarantee agreement becoming effective up to the day on which the ownership certificates of the properties purchased by the customers being obtained and the mortgage being registered in favor of the mortgage banks. As at the end of the Reporting Period, the aggregate guarantees provided by the Group for mortgage loans taken by its customers amounted to approximately RMB55.85 billion. The Company has not suffered any material loss due to the aforesaid guarantees. The Company is of the view that it does not need to make provisions for such guarantees in the financial statements.

Risk of fluctuations in exchange rates

The Company conducts a majority of its business operations in the PRC. As such, a large portion of revenue and expenses are denominated in Renminbi. Fluctuations in the exchange rates of Renminbi would have limited impact on the Group's operations. In 2014, fluctuations in the exchange rates of Renminbi to Hong Kong dollars and to US dollars generated an exchange gain of approximately RMB60 million for the Group.

In order to limit the risk associated with the fluctuations of exchange rate of foreign currency loan, the Group entered into non-deliverable forward ("NDF") contract to hedge a foreign currency loan of US$330 million. The fluctuation in the NDF value will not have any impact on the Group's profit and loss. During the Reporting Period, the change in the NDF value contributed RMB47.82 million to the Group's equity reserve. In respect of the term and amount of the foreign currency loan, NDF limits the risk of fluctuations of exchange rate through fixed forward exchange rate.

MANAGEMENT REVIEW

Enhance quality management

In 2014, the Group delivered 120,000 units of residential housing. Under the premises of continuously expanding the scale of delivery, the Group continued to improve the management approaches of "Exact Survey with delivery appraisal and inspection guidance". The quality in delivery appraisal improved gradually.

Insist at proactive sales

The Company insists at a proactive sales strategy. With respect to the launch of new projects, the Group applies the sales percentage recorded for the month the new project was launched as the indicator for core management, and seeks to maintain a relatively favourable pace in the sales activities. With respect to the projects still for sale, the Company focuses on the disposal of inventory so as to sustain a rational inventory composition. As at the end of the Reporting Period, among the inventories of the Group, RMB22.69 billion were of completed properties (properties ready for sale), accounting for 7.14%.

The Company placed considerable emphasis on cash flow management that stressed in timely collection of sales payment. During the Reporting Period, the Group collected sales receipts of RMB209 billion, representing more than 90% of the total sales receipts.

Mobile Internet opened the gateway to innovation. The Company believes that its own initiative to embrace innovation will bring more opportunities to successes. During the Reporting Period, by leveraging on the visions over the concept of Internet, and relying on the network platform and the tools, the Group innovated the model in the sales of real estates. Innovative marketing initiative such as "Everyone can be an agent" was promoted in certain cities, which actively integrated the channel resources and achieved relatively remarkable results.

Changing our positioning to urban ancillary service provider

The strategy of "Growing with the city" has always been a strategy for the development of the Group. During the recent years, with the change in the composition of population and industries, as well as the enriched style of living, the needs for new properties never cease to emerge. By following the direction in the development of the cities, the Group began to transform from a traditional residential properties developer to an "urban ancillary service provider". We will actively pursue and explore new business opportunities.

The Company believes that prior to conducting business innovation it is essential to lay a good foundation on its traditional businesses. In the coming ten years, the Group will adopt "Good Housing", "Good Services" and "Good Community" as its standards, to enhance the products and service contents of traditional residential housing business in a comprehensive manner. Apart from satisfying the various lifestyle needs of the urban household, the Group will also participate in the development of commercial and public sector properties. New commercial centers, community business, vacation property, venture industrial park, logistics park,, and smart home renovation and building industrialization will be the starting points to increase the consumer experience and efforts in exploring theme properties.

Introduction of business partnership scheme

During the Reporting Period, the Group used its best endeavours to promote the business partnership scheme, in order to further motivate the sense of ownership, work enthusiasm and creativity among the operations and management teams, and provide support on administration mechanisms for the change of business operations.

At the project level, the Group established a co-investment system applicable to all new projects except for redevelopment projects and certain special projects since 1 April 2014. Pursuant to the co-investment system, frontline management under the project, and managers of the said project shall, in principle, co-invest with the Group; employees other than the Group's directors, supervisors and senior management can choose whether or not to co-invest in the project. As of the end of the Reporting Period, the Group had 47 projects available for co-investment and the number of applications for co-investment reached 9,089. After the introduction of co-investment system, the staff demonstrated the senses and acts as partners in terms of accelerating turnaround, cost savings, promote sales and other aspects for the projects, which played a positive role in enhancing the project, the frontline company where the project is belong to as well as the overall operating results of the Group.

In May 2014, the Group established a business partner stock holding plan. There are 1,320 staff becoming the first group of business partner with the Group. The first group of business partners have already entrusted all of their entitlements in the collective bonus accounts for economic profit bonus to the general partners of Shenzhen Ying'an Financial Consultancy Enterprise (limited partnership) ("Ying'an Partnership") for investment and management. Since 28 May 2014, Ying'an Partnership has increased its holding of Vanke's A shares through Securities Company's Asset Management Program for several times. As at 27 January 2015, The Securities Company's Asset Management Program product Ying'an Partnership purchased held 494,277,819 A Shares, representing 4.48% of total share capital of the Group. With the introduction of the business partner stock holding plan, the alignment of positioning between the management and the shareholders were further strengthened, and the consistency of interests between the partners and the shareholders were assured. In January 2015, the second group of staff joined the business partner stock holding plan.

Successful implementation of B Share converting to H Share

On 25 June 2014, the Group's H shares, "China Vanke", were successfully listed on the main board of SEHK, with a stock code of "2202". The Group's proposal on the change of listing location of domestically listed foreign shares for listing and trading on SEHK by way of introduction achieved successfully. The successful implementation of the proposal on the change of listing location serves to improve the transaction environment for the original B shareholders, while further enhancing the Group's accessibility to the international capital market, offering more favourable conditions for the Group to effective deploy overseas resources.

Exploring overseas businesses

During the period, the Group continued to pursue for opportunities to expand our businesses overseas. We actively explore resources in cooperation. By leveraging the extensive experiences and operation models already available in developed countries and regions, we improved our products and service competitiveness. During the Reporting Period, the Group added three new investment projects overseas. The Company participated in the development of a project located at 610 Lexington Avenue, Manhattan, New York in US, via cooperation with well-known local developers. In Hong Kong, the Group secured a Wan Chai project through acquisition. In San Francisco, the Group entered into cooperation with Tishman Spreyer and participated in the development of Block One project.

Green building and industrialization

Green building refers to maximizing the conservation of resources, protecting the environment and reduce pollution, providing people with healthy, appropriate and efficient use of space, building in harmony with nature during the entire life cycle of the building. With the awareness in social environmental becoming more popular, the importance of energy conservation in buildings will become increasingly prominent. The company is one of those companies in China that first promote green building. In 2014, the Group completed three-star green project area of 2.053 million sq.m., whilst the project area for one-star and two-star amounted to approximately 6.748 million sq.m. in total, both representing an increase from 2013.

As a pioneer in the residential housing industry, the Group has created a set of principles for prefabrication, namely "enhancing quality, increasing efficiency, and reducing reliance on workers". The Company will continue to actively promote the results of prefabrication technology into practical application. In 2014, among the Group's mainstream products that newly commenced construction, the application of precast concrete external walls, fabricated interior walls, and interior and external walls without plaster reached 27%, 100% and 87% respectively, which were 7 percentage points, 40 percentage points and 37 percentage points higher than planned.

In recent years, air quality increasingly became an issue of social concern. People pursue for clean indoor air in providing a healthy home environment. During the Reporting Period, the Group, jointly with more than 60 residential property developers under China Urban Realty Association, as well as a number of equipment manufacturers and research institutions, adopted the result from the joint research and development conducted on the complete industrial chain, and proposed solutions for indoor PM2.5 pollution. In future, the Group will further improve the relevant technology system with peers in the industry and actively promote the indoor haze reduction system.

Innovative property services

House is probably the biggest consumption for a customer during his or her lifetime, and is also one of the most important assets. It is always the mission of Vanke Property to provide first-class property management services, and regarded property management vital to the enterprise. With respect to a study on Vanke Property, it was stated that the projects serviced by Vanke Property demonstrated apparent advantages over those comparable ones in the surrounding areas in the terms assets value preservation and appreciation. During the Reporting Period, the service fee collection rate of Vanke Property reached 96.12% with service quality being highly recognized by the owners.

During the Period, Vanke Property vigorously promoted technological innovation so as to improve work efficiency. The remote facilities and equipment management system researched and developed by us for property management purpose, for example, can access 530 network modules for real-time monitoring of all devices in the equipment room at 204 projects out of 726 projects. We are ready to provide emergency responses and remote maintenance at any time, so that regular inspections by staff will be significantly reduced. Duplicate paper records workload significantly improved service responsiveness and management efficiency.

In addition, Vanke Property actively introduced mobile Internet technology to integrate community resources. Currently Vanke Property has successfully achieved the "Four Essentials" (All items have the latitude and longitude, all equipment is labeled, all posts have a two-dimensional code, all employees have experience). Details of community facilities such elevator, entrances, trash cans throughout the country are recorded one by one. On this basis, combined with the mobile applications from the staff side and the owner side, and formed a resource scheduling platform. This will ensure Vanke Property can rationally and orderly implement business operation, scheduling employees, assigning tasks, and servicing owners. It will also allow future integration with other community resources and offer possibilities to enhance efficiencies in future.

The property industry needs model for innovation for the promotion of sustainable development. During the reporting period, Vanke Property launched the "Smart Services", which is a new property service solution system, and will restructure the model of traditional property management. In future, Vanke Property will actively promote this system throughout the country for implementation, as well as exporting the system to overseas market. With an open and blended mind, we will promote the advance of industry jointly with our peers, so that more users can experience the benefits of Vanke Property.

During the reporting period, Vanke Property ranked first again in the "2014 Top 100 China Property Management Enterprises" as selected by the China Property Management Association, and was jointly awarded by Institute of Development Research Center of the State Council, Tsinghua University Real Estate Institute and the China Index Academy as the "2014 China's Leading Brand of Property Services Business".

Social responsibilities

In the course of achieving growth in results, the Group remained to adhere to its values and concepts. We actively fulfill social responsibilities through concern with the development of stakeholders in pursuit for sustainable growth and is committed to allow more people sharing the operating results of the Group. Please see the 2014 Corporate Social Responsibility Report issued on the same date by the Group regarding the implementation of social responsibilities by the Group during the Reporting Period.

Future development prospects

The real estate industry has entered into its Silver Era. Looking from long-term, the demand of customers in future will be diversified. Competition in the market will be more intense. The requirements on product competitiveness and service contents will be more comprehensive. Looking from short term, the industry is welcoming an easing environment for its development. Housing transactions in major cities turnover has been restored since the end of last year. The reduction of interests rates also helped downstream buyers to relieve the mortgage burden, which facilitated the release of housing demand for restoration of market confidence.

In 2015, the Group will be a "Brave Pathfinder" and "Definite Transition" as the theme. On the basis of performing well on the traditional business, the Group will act as the urban ancillary service provider, and accelerate business innovation in promoting organizational change.

Quality determines the reputation of the Group. In 2015, the Group will strictly adhere to the "Quality First" principle, and insist to customer-oriented approach, and continue to improve product performance and quality of service. On the basis of strict enforcement of existing safety management system, the Group will continue to enhance its safety awareness, and to ensure safe production under the normal state. With respect to the housing industry, the Group will achieve the goals of industrialization with the Group within three years according to the scheduled plan. This will speed up the promotion and application of technologies for the industry.

The Group will adhere to the "Cash is King" strategy, and actively respond to changes in the market. We will uphold smooth sales in products, and devote more efforts to the disposal of inventories, in order to achieve steady sales growth and higher collection rate in receipts.

The Group will deploy the mechanisms of partners as the core value and promote the restructuring of organization structure, so as to support business innovation and transformation. The corporate structure will reorganize from a pyramid hierarchy to a flat hierarchy. The "Partners In Charge" system will be tested on trial basis to include various possibilities so as to motivate the passion of the staff and breakthrough the barriers between the departments. Synergies between different professions will be strengthened. The Group will upgrade the co-investment plan, so as to further motivate the incentives of the staff and leverage on the synergies among different regions. As such this will create more value for the shareholders.

In January 2015, the National Development and Reform Commission released the control of prices over the goods and services of non-affordable housing property management services, and residential communities parking services. Market competition in the field of property services will further accelerate. There will be more room for property with outstanding management to grow. In order to consolidate the leadership, Vanke Property will further reorganize its organizational structure and pursue further reform. Vanke Property will promote a flat hierarchy and business partner system, so as to enhance its attractiveness to the industry's top talents. We will fully integrate the existing technology platform to provide more competitive services for owners.

In 2015, the Group will further delegate the decision making power for the operation management in the regions, so as to promote the operation of the four regions into entity-like form. This will increase the rapid adaptability of the organization and sufficiently release the proprietary innovative ability of the front line.

The Group will pay attention to the liquidity environment and formulate reasonable arrangements for financing. Diversified financing channels will be explored and innovative financing methods will be explored. At the same time, we will explore means of financing for various types of new businesses so as to provide financial support for the transition.

In view of the disposal of inventory in the market had not yet completed, the land cost at certain cities did not adjust with the adjustment in the price of housing. The Company will insist in rational investment strategy. The distribution of our network in business development requires a reasonable supplement of project resources. We will seek development opportunities at cities where the population, infrastructure and employment have potential to support the development of residential property market. In the course of evaluating the projects, the Group will specifically monitor the land cost of projects relative to the housing prices in the peripheral area so as to strictly control the investment risks.

In terms of the Company's existing projects, the floor area of new starts and area to be completed in 2015 are expected to reach 16.81 million sq.m. and 15.81 million sq.m. respectively, the former slightly lower than that completed in 2014 and the latter representing an increase of 14.2% from the actual scale completed in 2014.

IV OTHER MATTERS

Corporate governance

As one of the first batch of companies listed in the PRC, the Company has always abided by its corporate values: simplicity, transparency, standardisation and responsibility. It had strictly complied with the requirements of the laws, regulations and regulatory documents governing listed companies and continued to fine-tune its corporate governance structure and regulate its operation. The Company had not experienced any problems with horizontal competition and connected transactions caused by partial restructuring. The Company did not deviate from the relevant corporate governance requirements of CSRC.

After the listing on the Main Board of The Stock Exchange of Hong Kong Limited, comparing with the provisions of Corporate Governance Code (Appendix 14 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited), the Company conducted the construction of corporate governance and the Company's state of corporate governance complied with the provisions of Corporate Governance Code.

Since 2007, the Company has been actively carrying out initiatives to improve its corporate governance. As a key pilot company to implement the Basic Internal Control Norms for Enterprises and its implementation guidelines, the Company continued to adopt a pragmatic internal control approach to establish the internal control process in a systematic manner in 2014. Pursuant to the requirements for change of listing location of the Company's domestically listed foreign shares to the Hong Kong Stock Exchange, the Company will further optimise its corporate governance and internal control system with reference to the requirements of the listing rules of Hong Kong Stock Exchange, etc.

The Company will continue to adhere to the principle of "professionalism + standardization + transparency", to further enhance its corporate governance.

Model Code for Securities Transactions by Directors

The Company established rules like Management System for Insider Information and Insider and Rules Governing Employees Trading Securities of the Company. When compared with the provisions of Model Code for Securities Transactions by Directors of Listed Issuers (Appendix 10 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited), the Company's standards are not less than those of Model Code for Securities Transactions by Directors of Listed Issuers. During the reporting period, after inquiries to the Directors, the Company was not aware of any securities transactions in breach of the Company's regulations and Model Code for Securities Transactions by Directors of Listed Issuers.

Staff, training and Development

As at 31 December 2014, there were 40,467 employees on the Company's payroll, representing an increase of 15.4% from that of the previous year. The average age of the employees was 29.9 of which 29,518 were male and 11,129 were female.

Among the entire workforce, there were 7,144 employees engaged in the property development division, representing an increase of 4.3% from the previous year. The average age of the staff working for this division was 32.2 and the average year of service was 4.0; in terms of education level, 0.3% held doctoral degree, 17.9% with master's degree, 69.3% with bachelor's degree, 10.6% with tertiary education and 1.9% with education below tertiary level. Employees with bachelor's degree or higher education accounted for 87.5% of the total staff in the property development division. The composition of employees in the property development division by job classification is as follows: 999 marketing and sales staff, accounting for 14.0%, up by 1.9% from the previous year; 4,201 professional technicians, accounting for 58.8%, up by 2.8% from the previous year; among the professional technicians, 2,181 were construction staff, accounting for 51.9%, 858 were designers, accounting for 20.4% and 373 were cost management staff, accounting for 8.9%; there were 519 project development staff, accounting for 12.4%. The number of management staff, including those working in the departments of finance, audit, IT, legal, human resources, customer relations and data analysis as well as senior management staff, was 1,944, accounting for 27.2%, up by 9.2% from the previous year.

There were 30,925 employees engaged in property management, up by 12.3% from the previous year. The average age was 29.4 and the average year of service was 2.2. In terms of education level, 0.3% held master's degree, 10.2% with bachelor's degree, 20.5% with tertiary education and 69.0% with education below tertiary level. Employees with tertiary education or higher education accounted for 31.0% of the total staff in the property management division.

There were 709 employees engaged in the commercial services division. The average age was 30.4 and the average year of service was 1.6. In terms of education level, 7.8% held master's degree, 50.5% with bachelor's degree, 24.9% with tertiary education and 16.8% with education below tertiary level. Employees with tertiary education or higher education accounted for 83.2% of the total staff in the commercial services division.

There were 1,020 employees engaged in the hotel division. The average age was 31.2 and the average year of service was 1.3. In terms of education level, 1.5% held master's degree, 17.1% with bachelor's degree, 20.8% with tertiary education and 60.7% with education below tertiary level. Employees with tertiary education or higher education accounted for 39.3% of the total staff in the commercial services division.

There were 849 employees engaged in the other division. The average age was 28.1 and the average year of service was 2.5. In terms of education level, 0.1% held doctor's degree, 1.5% held master's degree, 28.4% with bachelor's degree, 31.2% with tertiary education and 38.8% with education below tertiary level. Employees with tertiary education or higher education accounted for 61.2% of the total staff in the commercial services division.

The Group's overall remuneration system is adhered to the principle of market orientation, offering competitive salary to retain and attract high caliber persons. The salaries of the Group's senior management are determined with reference to market level as well as the Group's overall operating results. Talents are Vanke's assets. The Group has been committed to providing sufficient development opportunities and creating a pleasant work environment for high caliber persons.

Purchase, disposal and redemption of the Company's listed securities

There was no purchase, disposal or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31 December 2014.

Closure of register of members

In order to determine the entitlements of the shareholders to attend the annual general meeting of 2014 to be held on Friday, 22 May 2015, the register of members of the Company will be closed between Thursday, 30 April 2015 and Friday, 22 May 2015, both days inclusive, during which no transfer of Shares will be registered. In order to be eligible to attend at the annual general meeting, all Share transfers, being accompanied by the relevant share certificates, must be lodged with the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716 17th Floor Hopewell Centre 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 29 April 2015.

V AUDIT COMMITTEE REVIEW ANNUAL RESULT

The annual results of the Group for the year ended 31 December 2014 has been reviewed by Audit Committee of the Board.

Note: Unless otherwise specified, the currency used in the announcement refers to RMB.

By order of the Board
China Vanke Co., Ltd. *
Wang Shi
Chairman

Shenzhen, the PRC, 30 March 2015

As at the date of this announcement, the Board comprises

Executive Directors:
Mr. Wang Shi
Mr. Yu Liang
Mr. Wang Wenjin

Non-executive Directors:
Mr. Qiao Shibo
Mr. Sun Jianyi
Mr. Wei Bin
Mr. Chen Ying

Independent non-executive Directors:
Mr. Zhang Liping
Mr. Hua Sheng
Ms. Law Elizabeth
Mr. Hai Wen

* *for identification purpose only*