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)

Overseas Regulatory Announcement

This announcement is made pursuant to the requirement of Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

China Vanke Co., Ltd. (the "**Company**" of "**Vanke**") herewith attaches the Company's announcement published on the website of CNINFO Network (www.cninfo.com.cn) namely "Reply from China Vanke Co., Ltd. in relation to Letter of Inquiry Regarding the Restructuring of China Vanke Co., Ltd. (Permission type restructuring inquiry letter [2016] No. 39) from the Shenzhen Stock Exchange", for reference only.

By order of the Board
China Vanke Co., Ltd.
Zhu Xu
Company Secretary

Shenzhen, the PRC,
4 July 2016

As at the date of this announcement, the Board comprises Mr. WANG Shi, Mr. YU Liang and Mr. WANG Wenjin as executive Directors; Mr. QIAO Shibo, Mr. SUN Jianyi, Mr. WEI Bin and Mr. CHEN Ying as non-executive Directors; and Mr. ZHANG Liping, Mr. HUA Sheng, Ms. LAW Elizabeth and Mr. HAI Wen as independent non-executive Directors.

** for identification purpose only*

Reply from China Vanke Co., Ltd. in relation to Letter of Inquiry Regarding the Restructuring of China Vanke Co., Ltd. (Permission type restructuring inquiry letter [2016] No. 39) from the Shenzhen Stock Exchange

To Shenzhen Stock Exchange:

The Company received the Letter of Inquiry Regarding the Restructuring of China Vanke Co., Ltd. (Permission type restructuring inquiry letter [2016] No. 39) (the "Inquiry Letter") on 22 June 2016 from the Company Management Department of Shenzhen Stock Exchange. In response to the examination opinion raised in the Inquiry Letter, the Company hereby set out the verification results as follows. Unless otherwise specified, the abbreviations used in this reply shall have the same meaning as defined in the definition section of Proposal of Acquiring Assets by Way of Issuance of Shares and Connected Transaction (Revised).

Question 1: As disclosed in a Board resolution by the Company, Zhang Liping, an independent non-executive Director, believed that given the Blackstone Group, in which he holds a position, is in negotiation with the Company in respect of the sale of a large-scale commercial property project in the PRC, he would abstain from voting on the 12 resolutions proposed at this Board meeting due to potential related party interests and conflict of interests, which would constitute related party relations under paragraph 2 of Article 152 of the Articles of Association, pursuant to which he shall abstain from voting on the 12 resolutions. Company shall verify and make supplemental disclosures on, and lawyers shall issue professional opinions and make public disclosures on the following matters:

（1） **The specific reasons for the independent non-executive Director to abstain from voting and the relationship between such reasons and the transactions. Please illustrate whether Rule 10.2.1 and other requirements of the Listing Rules of Shenzhen Stock Exchange are observed. The identification procedures taken by the Board of the Company to identify the need for the independent non-executive Director to abstain from voting, reasons for such identification and whether the**

requirements under the Articles of Association and the Procedural Rules of the Board of Directors are observed. Please further illustrate whether the independent non-executive Director's abstention from voting is in compliance with the laws and regulations and whether the resolutions passed at the Board meeting is in compliance with the laws and valid;

（2） **The transactions and cooperation between the Blackstone Group, in which the independent non-executive Director holds a position, and the Company and other specific details, whether the relevant transactions and cooperation may prevent the independent non-executive Director from making independent and objective judgment. If yes, make supplemental disclosure on the time from which his independence is affected and whether the voting procedure of the Board afterwards is consistent with the relevant requirements under Company Law and the Articles of Association. If not, make supplemental disclosure on the basis of judgment and its reasonableness;**

（3） **Summarizing the above, whether the independent non-executive Director possesses the independence required by the Guidance to Establishment of Independent Director System in Listed Companies(**《關於在上市公司建立獨立董事制度的指導意見》**) and Measures of the Shenzhen Stock Exchange for the Registration of Independent Directors (**《獨立董事備案辦法》**), whether the independent non-executive Director still meets the requirements for the position of independent non-executive Director. If yes, make supplemental disclosure on the basis of judgment and its reasonableness and compliance. If not, make supplemental disclosure on the measures to be adopted by the Company.**

Reply:

I. The specific reasons for the independent non-executive Director to abstain from voting and the relationship between such reasons and the transactions. Please illustrate whether Rule 10.2.1 and other requirements of the Listing Rules of Shenzhen Stock Exchange are observed. The identification procedures taken by the Board of the Company to identify the need for the

independent non-executive Director to abstain from voting, reasons for such identification and whether the requirements under the Articles of Association and the Procedural Rules of the Board of Directors are observed. Please further illustrate whether the independent non-executive Director's abstention from voting is in compliance with the laws and regulations and whether the resolutions passed at the Board meeting is in compliance with the laws and valid;

(1) The specific reasons for the independent non-executive Director to abstain from voting; the relationship between such reasons and the transactions; whether Rule 10.21 and other requirements of the Listing Rules of Shenzhen Stock Exchange are complied with

Before the voting on the 12 resolutions in relation to issuance of shares by the Company to acquire assets (the "**Transaction**") from Shenzhen Metro Group Co., Ltd. (the "**SZMC**") at the 11th meeting of the 17th session of the board (the "**Board**") of directors (the "**Directors**") of the Company, Independent Director Zhang Liping declared to the Board that "given the Blackstone Group, in which I hold a position, is in negotiation with the Company in respect of the sale of a large-scale commercial property project in the PRC, which may constitute potential related party interests and conflict of interests", the above circumstances may affect his independent commercial judgment and in the spirit of the principle of prudence, Independent director Zhang Liping expressed at the Board meeting that he would abstain from voting.

The Blackstone Group is in negotiation with the Company in respect of the sale of majority shareholding of the aforementioned large-scale commercial property project in the PRC, which is a large-scale commercial real estate platform company (hereinafter referred to as "**Company A**") held by a real estate fund under the management of related companies of The Blackstone Group L.P. (hereinafter referred to as the "**Blackstone Group**") (all funds under the management of the Blackstone Group or its affiliated companies are hereinafter referred to as the "**Blackstone Funds**"), for which the Company intended to acquire to further enhance its management and operation capability in respect of commercial properties. Company A possesses sophisticated commercial development management and operational management capability in China, it holds and manages various commercial properties in core cities in China. Since January 2016, the Company has commenced negotiation with the Blackstone Funds and the other shareholders of Company A. Under the negotiation, the substantial shareholders (including Blackstone Funds) of Company A intended to allow a limited partnership fund (hereinafter referred to as the "**Joint Acquisition Platform**") which was jointly controlled by a wholly-owned subsidiary of the Company and its partners to acquire 96.55% equity interests in Company A from the Blackstone Funds and other shareholders (hereinafter referred to as the "**Blackstone Commercial Acquisition Project**"). Upon completion of the Blackstone Commercial Acquisition Project, the Joint Acquisition Platform will hold 96.55% equity interests in Company A. The Board of the Company has considered and approved the passing of the resolution regarding the acquisition of Company A by means of communication on 21 June 2016. Independent Director Zhang Liping, has abstained from voting on the above resolution. The agreement documentations in relation to the Blackstone Commercial Acquisition Project have yet to be executed. The Blackstone Commercial Acquisition Project is not subject to the consideration and approval at the shareholders' meeting of the Company.

For the above matters, Independent Director Zhang Liping, has given further explanations in his written reply letter (hereinafter referred to as the "**Reply Letter**") issued on 25 June 2016 in relation his abstention from voting, in which he confirmed that the subject of the transaction under the Blackstone Commercial Acquisition Project involved a number of shopping malls in China. According to the Transaction plan considered at the Board meeting and the introduction of Vanke management, the introduction of SZMC to Vanke in the Transaction offers the opportunity for Vanke to carry out its major business transformation from a traditional residential property developer to an integrated urban service provider. Upon completion of the Transaction, Vanke will be required to enhance its ability to develop and manage commercial property projects. Independent Director Zhang Liping, considered that from a commercial perspective, whether or not the Transaction is approved may have an impact on the whether the Blackstone Commercial Acquisition Project would be approved. Therefore, the independent commercial judgment of Mr. Zhang Liping on the Transaction may be affected. Observing his duty of integrity and diligence and loyalty to the Company, Independent Director Zhang Liping, disclosed at the meeting the above reasons which may affect his independent commercial judgment. In the spirit of the principle of prudence, Mr. Zhang Liping expressed at the Board meeting that he would abstain from voting.

Pursuant to Article 124 of the Company Law and Rule 10.2.1 of the Rules Governing the Listing of Securities on the Shenzhen Stock Exchange (2014 Revision) (hereinafter referred to as the "**Listing Rules**"), related Director shall abstain from voting in matters relating to a related party transaction being resolved at a meeting of the Board of a listed company, and he/she shall not vote as a proxy of other Directors. Such a Board meeting requires the presence of more than one-half of non-related directors. Resolutions presented to the Board shall be passed by more than one-half of the votes of the non-related Directors. If less than three non-related Directors attend the board meeting, the Board shall refer such transaction to shareholders' meeting for consideration and approval.

Pursuant to Rule 10.2.1 of Listing Rules, related Directors include individuals whose independent commercial judgment may be affected due to other reasons, as determined by CSRC, Shenzhen Stock Exchange or the listed company. The meeting of the Board of the Company is held with the abstention of Independent Director Zhang Liping after stating his reason for abstention, and no objection had been raised by other Directors of Vanke present at the meeting before voting at this meeting.

Pursuant to Guideline 3.5.1 under the Guidelines for Standardized Operation of Companies Listed on the Main Board of Shenzhen Stock Exchange (2015 Revision) (hereinafter referred to as the "**Guidelines for Standardized Operation**"), independent directors shall perform their duties and responsibilities independently and fairly, without being affected by the substantial shareholders and de facto controllers of the listed company, or other entities or individuals who may be interested in the company. If the independent director finds that circumstances exist which may affect his independence on the matter he is considering, he shall report the same to the company and abstain from voting. If there are circumstances which materially affect the independence of an independent director during his tenure, he shall notify the company promptly and propose solutions and shall tender his resignation if necessary.

Pursuant to Rule No. 3 of the Independent Directors' Rules of China Vanke Co., Ltd (hereinafter referred to as the "**Independent Directors' Rules**"), independent directors shall have the duty to act in good faith and, in accordance with the requirements of relevant laws, regulations, regulatory documents of CSRC, Listing Rules and articles of association of the Company (the "**Articles of Association**"), conduct due diligence in an independent and fair manner for the benefit of the company and its shareholders as a whole. An independent director shall protect the interests of the company as a whole, especially protecting the legitimate interests of minority shareholders from being infringed, and independent director shall not be affected by the company's substantial shareholders or other entities or individuals who are interested in the company. If the independent director finds that circumstances exist which may affect his independence on the matter he is considering, he shall report the same to the company and abstain from voting. If there are circumstances which materially affect the independence of an independent director during his tenure, he shall notify the company promptly and tender his resignation if necessary.

Meanwhile, pursuant to the Rule No.40 under the Rules of Procedures of the Board of Directors of China Vanke Co., Ltd (hereinafter referred to as the "**Rules of Procedures of the Board of Directors**"), upon occurrence of any of the situations below, the directors shall abstain from voting on relevant requisition resolution: (1) any other situations as provided by the Articles of Association that a director who is related with the matter proposed at the meeting shall abstain from voting; (2) any situations as provided by other laws and regulations that a director shall abstain from voting. With the abstention of related director(s), the meeting of the Board may be held with a quorum of more than one half of the non-related directors. Resolutions shall be passed by more than one half of the non-related directors. If the number of non-related directors present at the meeting is less than three, such requisition resolution shall not be resolved by voting and shall be put forward to a shareholders' meeting for consideration and approval.

The Company is of the view that this transaction of introducing the SZMC is an important opportunity for Vanke to implement the important business transformation from the traditional residential developer to the urban facilities service provider. Qianhai Hub Project involved in this transaction contains a rich category of products, including business apartments, grade A office building, ground and underground shops, luxury hotels, serviced apartments and other business forms. Upon the completion of this transaction, Vanke will deepen the introduction of the "railway + property" model, further strengthen the development of the railway superstructure projects and improve its ability of commercial project development and management, so as to make the abovementioned Commercial Acquisition Project and this transaction inherently relevant to each other in commercial logic. Independent Director Zhang Liping believed that from a commercial perspective, whether or not the Transaction is approved may have an impact on the whether the Blackstone Commercial Acquisition Project would be approved. As he holds a position in the The

Blackstone Group (HK) Ltd. (hereinafter referred to as "**Blackstone HK**"), his independent commercial judgment on the Transaction may be affected. Independent Director Zhang Liping has decided to abstain from voting at this meeting on the principle of prudence. Although Independent Director Zhang Liping is not classified as a related director stipulated in Rule 10.2.1(I) to (V) of Listing Rules, there exists situations where "his independent commercial judgment may be affected due to other reasons". The aforementioned abstention from voting is in line with the requirements under the Guidelines for Standardized Operation, the Rules of Procedures of the Board of Directors and the Independent Directors' Rules.

(2) The identification procedures taken by the Board of the Company to identify the need for the independent non-executive Director to abstain from voting, reasons for such identification and whether the requirements under the Articles of Association and the Procedural Rules of the Board of Directors are observed.

Pursuant to Guideline 3.5.1 under the Guidelines for Standardized Operation, independent directors shall perform their duties and responsibilities independently and fairly, without being affected by the substantial shareholders and de facto controllers of the listed company, or other entities or individuals who may be interested in the company. If the independent director finds that circumstances exist which may affect his independence on the matter he is considering, he shall report the same to the company and abstain from voting. If there are circumstances which materially affect the independence of an independent director during his tenure, he shall notify the company promptly and propose solutions and shall tender his resignation if necessary.

Pursuant to Rule No. 3 of the Independent Directors' Rules, independent directors owe the duty of honesty and diligence to the company and the shareholders as a whole, and in accordance with the requirements of relevant laws, regulations, regulatory documents of CSRC, Listing Rules and Articles of Association, independent directors shall perform his duties in an independent and fair manner to protect the interest of the company and its shareholders as a whole. An independent director shall pay special attention that the legitimate interests of minority shareholders are not infringed, and independent director shall not be affected by the company's substantial shareholders or other entities or individuals that is interested in the company. If the independent director finds that circumstances exist which may affect his independence on the matter he is considering, he shall report the same to the company and abstain from voting. If there are circumstances which materially affect the independence of an independent director during his tenure, he shall notify the company promptly and tender his resignation if necessary.

Pursuant to Article 126 of the Articles of Association, if the director himself or other companies where he holds a position have direct or indirect related party relations with the existing or planned contracts, transactions or arrangements (other than employment contracts), the director shall disclose to the Board the nature and extent of such related party relations, regardless whether the related matters require the approval of the Board or not in normal situations. Unless the related director disclosed to the Board pursuant to the aforementioned requirements and the Board approved such matter on a meeting where such director was excluded from the quorum, the Company has the right to revoke such contract, transaction or arrangement, except in case where the counterparty was a bona fide third party.

The Company is of the view that pursuant to the above requirements of Guidelines for Standardized Operation, the Articles of Association and the Rules of Procedures of the Board of Directors, if there exists a circumstance which may affect the independence of an independent director and require his abstention from voting, the concerned independent director can abstain from voting after he has disclosed the abovementioned matters to the Board according the relevant procedures. The above requirements do not require any other prerequisite identification procedures. The meeting was held with the abstention of Independent Director Zhang Liping after stating his reasons for abstention, and no objection was raised by other Directors of Vanke present at the meeting before voting on the resolutions considered at this meeting.

(3) Explanation on whether the independent non-executive Director's abstention from voting is in compliance with the laws and regulations and whether the resolutions passed at the Board meeting is in compliance with the laws and valid

1. Whether Mr. Zhang Liping's abstention is in compliance with the laws and regulations

Based on the above analysis, Independent Director Zhang Liping believed that from a commercial perspective, the approval of the Transaction may have an impact on whether the

Blackstone Commercial Acquisition Project would be approved. As he holds a position in the Blackstone HK, the independent commercial judgment of Mr. Zhang Liping on the Transaction may therefore be affected. As such, he has disclosed to the Board and expressed his intention to abstain from voting at this meeting on principle of prudence. The aforementioned abstention from voting is in line with the requirements under the Guidelines for Standardized Operation and the Independent Directors' Rules.

2. Whether the resolutions have been lawfully and validly passed at the Board meeting

Pursuant to Article 124 of the Company Law, if any director has a related party relation with the enterprise involved in the matters to be resolved at a Board meeting, the said director shall not vote on the said resolution for himself or as a proxy of other directors. The Board meeting may be held with the presence of more than half of the non-related directors at the meeting. The resolution of the Board meeting shall be passed by more than half of the non-related directors. If the number of non-related directors attending the meetings is less than three (3), the matter shall be submitted to the general meeting for consideration.

Pursuant to Article 126 of the Articles of Association, where a director of the Company or other corporate entity where he holds a position, has direct or indirect related party relations in a contract, transaction or an arrangement with the Company (except for employment contract), he/she shall disclose the nature and extent of his/her related party relation to the board of directors at the earliest possible time, regardless of whether or not the relevant matters is subject to the approval of the board of directors under normal circumstances. Unless a related director has disclosed such matter to the Board in accordance with the previous clause of this Article and such matter was approved by the Board at a meeting at which such director was not counted in the quorum and abstained from voting, the Company shall have the right to require the director of the Company or other corporate entity where he holds a position to revoke the relevant contract, transaction or arrangement, unless the counterparty is a bona fide third party.

Pursuant to Article 137 of the Articles of Association, the terms of reference of the Board include formulating the plan for increase or reduction of the Company's registered capital, and the plan for the issuance of bonds or other securities and listing plan. The consideration of the above matters shall be subject to approval by over two-thirds (2/3) of the

Board.

Prior to the voting at this Board meeting, Zhang Liping, the independent Director, declared that the company in which he holds a position is in negotiation with the Company in respect of the sale of a large-scale commercial property project, and he would abstain from voting due to potential related party interests and conflict of interests. Despite the fact that Zhang Liping, an independent Director, has abstained from voting, at least 7 votes had casted in favour of the 12 resolutions being considered and approved at the Board meeting, representing more than half and also more than two-third of the votes from non-related Directors. As such, pursuant to the above requirements under the Articles of Association, the passing of the resolutions considered at the meeting are legitimate and valid.

II. The details of the transactions and cooperation between the Blackstone Group and the Company; whether the relevant transactions and cooperation may affect the independent and objective judgment of the independent non-executive Director.

(1) Details of the transactions and cooperation between the Blackstone Group and the Company

Except for the above disclosed Blackstone Commercial Acquisition Project, the Company (including its majority-owned subsidiaries) and the Blackstone Group (including its majority-owned subsidiaries and funds under its management) entered into the following transactions and cooperation:

1. The signing of relevant agreement on the logistics project assets platform and operation platform in October 2014 (hereinafter referred to as "X JV Platform Project")

In October 2014, LOGISTICS INVESTMENT COMPANY LIMITED, LOGISTICS OPERATION COMPANY LIMITED and LOGISTICS PROPERTY COMPANY LIMITED (all being subsidiaries of Vanke) entered into the Share Subscription and Shareholders' Agreement with the subsidiaries of Blackstone Funds and CHINA LOGISTICS MANAGEMENT (BVI) HOLDING LIMITED and CHINA LOGISTICS PLATFORM I LTD respectively, pursuant to which the majority-owned subsidiaries of Vanke subscribed shares in CHINA LOGISTICS MANAGEMENT (BVI) HOLDING LIMITED and CHINA LOGISTICS PLATFORM I LTD. The transaction has been completed. Upon completion, 70% and 30% of the shares in CHINA LOGISTICS MANAGEMENT (BVI) HOLDING

LIMITED were held by Vanke and the Blackstone Funds respectively, while 50% and 50% of the shares in CHINA LOGISTICS PLATFORM I LTD were held by Vanke and the Blackstone Funds respectively. The transaction amount does not reach the level requiring the approval of the Board of Vanke.

2. The signing of relevant agreement on the Domestic Low-profit Project JV Platform in December 2015 (hereinafter referred to as "Y JV Platform Project")

In December 2015, LOGISTICS INVESTMENT COMPANY LIMITED and LOGISTICS PROPERTY COMPANY LIMITED (both being subsidiaries of Vanke) entered into the Share Subscription and Shareholders' Agreement with the subsidiaries of Blackstone Funds respectively, pursuant to which the subsidiaries of Vanke subscribed shares in VX CORE II HOLDING LTD. The transaction has been completed. Upon completion, 50% and 50% of the shares in VX CORE II HOLDING LTD are being held by Vanke and the Blackstone Funds respectively. The transaction amount does not reach the level requiring the approval of the Board of Vanke.

3 The disposal of 50% of the equity interests in Shanghai Wancang Logistics Co., Ltd. (上海萬倉物流有限公司) in June 2016 (hereinafter referred to as ("Wancang Logistics Project") "萬倉物流項目")

Shanghai Vanke Investment Management Co., Ltd, a subsidiary of Vanke, has transferred 50% of its equity interests in Shanghai Wancang Logistics Co., Ltd. to Blackstone Funds. Both parties have signed the transaction documents. The transaction amount does not reach the level requiring the approval of the Board of Vanke.

(2) Whether the relevant transactions and cooperation may prevent the independent non-executive Director from making independent and objective judgment.

According to the Declaration presented by Independent Director Zhang Liping, to the Board of the Company on 5 March 2016, he was formally appointed by the Blackstone Group on 1 October 2015 as the senior managing director and the Chairman for Greater China Region of the Blackstone Group. Prior to his tenure in the Blackstone Group, the real estate funds under the management of the Blackstone Group have entered into cooperation with the Company in the area of logistics property business. As the senior managing director and the Chairman for Greater China of the Blackstone Group, Director Zhang Liping is responsible for providing recommendations and guidance to the senior management and all business units of the Blackstone Group within the region. Independent Director Zhang Liping, was also a member of senior management of Blackstone HK, and will soon be appointed as the director of Blackstone HK, Blackstone HK is not a potential counterparty of the Company in the Blackstone Commercial Acquisition Project or its controlling shareholder. Blackstone HK is engaged in the provision of consultancy services to the real estate funds of the Blackstone Group, while the investment decisions and disposals of investment assets(including the real estate investment in Greater China) are made by the investment committee of Blackstone Real Estate Partners. Independent Director Zhang Liping, is not a member in the investment committee and he doesn't engage in the daily operation of the real estate funds assets management. Independent Director Zhang Liping, has undertaken that, shall there be any transactions between the Board of the Company and the Blackstone Group in future, he will abstain from voting on the relevant matters proposed at the board meeting for the consideration and approval by the board of the Company. Meanwhile, he has undertaken to the Blackstone Group that he will not participate in the decision-making in any transactions of the Blackstone Group with Vanke.

Based on the above, for the aforementioned transactions, the transaction amounts of Wancang Logistics Project, X JV Platform Project and Y JV Platform Project, whether individually or collectively, have not reached the level requiring the approval of the Board of the Company; furthermore, Independent Director Zhang Liping, had not held a position at the Blackstone Group when the contract for X JV Platform Project was signed. In addition, for the Blackstone Commercial Acquisition Project, Independent Director Zhang Liping abstained from voting at the relevant board meeting considering and approving the Blackstone Commercial Acquisition Project.

III. Whether the independent non-executive Director Mr. Zhang Liping possesses the independence required by the Guidance to Establishment of Independent Director System in Listed Companies(《關於在上市公司建立獨立董事制度的指導意見》) (hereinafter referred as the "Guidance") and Measures of the Shenzhen Stock Exchange for the Registration of Independent Directors (《獨立董事備案辦法》), whether he still meets the requirements for the position of independent non-executive Director.

Pursuant to No.2 of Guidance, Independent directors shall satisfy the following basic requirements:

（1） qualified to be a director of a listed company pursuant to the laws, administrative regulations and other relevant requirements;

（2） has the independence required by the Guidance;

（3） possesses basic knowledge of the operation of a listed company, and familiar with relevant laws, administrative regulations, rules and regulations

（4） has five (5) years or more of legal or financial experience or other experience in performing the duties of an independent director; and

（5） other requirements provided by the Articles of Association.

Meanwhile, No.3 of Guidance stated that, the following persons shall not be eligible to be an independent director:

（1） persons employed by the listed company or its subsidiaries and their immediate family members and major social connections (immediate family members mean spouse, parents and issues, etc. and major social connections mean siblings, parents-in-law, sons/daughters-in-law, spouse of siblings, siblings of spouse, etc.);

（2） natural person shareholders who directly or indirectly hold more than 1% of the issued shares of the listed company or who are natural person shareholders or their immediate family members of the top ten shareholders;

（3） persons or their immediate family members who are employed by a shareholder who directly or indirectly holds 5% or more of the issued shares of the listed company or employed by the top five shareholders;

（4） persons who once belonged to the preceding three items in the past year;

（5） persons who provide financial, legal or consulting service to the listed company or its subsidiaries;

（6） other persons provided by the Articles of Association;

（7） other persons determined by CSRC.

Pursuant to Article 7 of the Measures of the Shenzhen Stock Exchange for the Registration of Independent Directors, a person with one of the following situations is not eligible for nomination as an independent director of a listed company:

（1） persons employed by the listed company or its subsidiaries and their immediate family members or major social connections;

（2） natural person shareholders who directly or indirectly hold more than 1% of the issued shares of the listed company or natural person shareholders or their immediate family members of the top ten shareholders;

（3） persons or their immediate family members who are employed by a shareholder who directly or indirectly holds 5% or more of the issued shares of the listed company or employed by the top five shareholders;

（4） persons or their immediate family members who work in the listed company's controlling shareholder or de facto controller or its subsidiaries;

（5） persons who provide financial, legal or consulting services to the listed company or its controlling shareholder or their respective subsidiaries, including but not limited to all members of the project teams from the service agencies, reviewing officers at all levels, persons signing the reports, partners or major responsible persons;

（6） persons who work in companies that have material business relationship with the listed company or its controlling shareholder, de facto controller or their respective subsidiaries, or employed by the controlling shareholder of the companies with material business relationship;

（7） persons who have met any of the conditions stated in Item (I) to (VI) above in the past one year;

（8） persons who are prohibited by the CSRC from entering into the securities market and the prohibition period has not expired;

（9） persons who are publicly identified by the stock exchange as not suitable for acting as a director, supervisor or senior executive of a listed company; or

（10） persons who have received administrative punishment by the CSRC in the past three years;

（11） persons who has received public censure by the stock exchange or notices of criticism have been circulated against him/her by the stock exchange for more than three times in the past three years;

（12） Other circumstances specified by Shenzhen Stock Exchange.

Meanwhile, Article 19 of the Measures of the Shenzhen Stock Exchange for the Registration of Independent Directors further clarifies that "material business relationship" stated in item 6 above refers to the matters subject to approval at Shareholders' meeting as required by Listing Rules and other relevant requirements of Shenzhen Stock Exchange or the Articles of Association of the listed company or other matters of significance as determined by Shenzhen Stock Exchange.

3. On 5 March 2014, Independent Director Zhang Liping signed the Statement of the Candidate for the Post of Independent Director, in which he declared that he did not encounter any situation for which he is not eligible to be an independent director of the Company under the Guiding Opinion and Registration of Independent Directors. On 25 June 2016, Independent Director Zhang Liping has provided the Reply Letter, in which he states that, in his own view, his appointment as the independent director of Vanke has been approved by the shareholders at the general meeting of Vanke and has fulfilled such legal procedures as the filing and examination requirements at Shenzhen Stock Exchange and he is eligible to be an independent director. After inspection, the Company is not aware of any situation for which Independent Director Zhang Liping is not eligible to be an independent director of the Company under the Guiding Opinion (《指導意見》) and Measures of the Shenzhen Stock Exchange for the Registration of Independent Directors.

IV. Inspection opinions from lawyers

The opinions of Jun He Law Offices on the above relevant matters are as follows:

(I) Independent director Zhang Liping who abstained from voting at the meeting has complied with Guidance on Standardized Operation (《規範運作指引》), the Rules of Procedures of the Board of Directors(《董事會議事規則》) and the Independent Director's Rules(《獨立董事制度》).

(II) If there exists any circumstance which may affect the independence of an independent director and require his abstention from voting, the concerned independent director can abstain from voting after he has disclosed the abovementioned matters to the Board according the procedures. The Guidelines for Standardized Operation and Independent Directors' Rules, the Articles of Association and the Rules of Procedures of the Board of Directors do not require any other prerequisite identification procedures.

(III) With Independent Director Zhang Liping abstaining from the voting, the affirmative votes for the 12 resolutions at the meeting exceed half of the non-related directors and the affirmative votes exceeded two thirds of the number of non-related directors. According to relevant requirements under the Company Law and Articles of Association, the resolutions passed at the meeting are legitimate and valid.

(IV) Unless otherwise identified by CSRC or Shenzhen Stock Exchange, Independent

Director Zhang Liping has not encountered any situation that would affect his eligibility to be an independent director of the Company under the Measures of the Shenzhen Stock Exchange for the Registration of Independent Directors.

Question 2: Pursuant to the Proposal, "As the Transaction involves issuance of new A Shares, it may result in less than 10% of the H shares being held by the public. The Company may have to conduct certain subsequent capital arrangement in order to be complied with the minimum requirement permitted by the waiver of the Hong Kong Stock Exchange regarding the sufficiency of public float of its H shares." Please make further supplemental disclosure on the impact of the above matters on the Company and the specific measures to be adopted by the Company and issued related risk warnings.

Reply:

I. Reply to the matter that the Transaction may result in less than the minimum public float requirement permitted by the waiver of the Hong Kong Stock Exchange

（1） The relevant requirements of the Stock Exchange on the public float of H Shares of the Listed Company

Pursuant to the Rule 8.08 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange Listing Rules**"), at least 25% of the Listed Company's total issued shares must at all times be held by the public. As of 25 June 2014, as the market capitalization of the Company upon listing on the main board of the Stock Exchange was over HKD10 billion, the Company had been granted a waiver of public float requirement by the Stock Exchange pursuant to the requirement of Rule 8.08(1)(d) of the Stock Exchange Listing Rules. Pursuant to the waiver, the Listed Company shall maintain a public float of its H Shares of not less than 10%.

（2） The number of new A Shares to be issued under the Transaction and its possible impact on the public float of H Shares are subject to uncertainties

The final consideration of the Transaction will be based on the assessed value issued by an asset valuation agency with securities and futures qualifications and filed with Shenzhen SASAC, and shall be subject to separate negotiation and execution of supplemental agreement by both parties. The pricing of the target assets under the Transaction, the issue price of the Consideration Shares and number of shares to be issued are subject to consideration by the board, consideration and approval by the general meeting and class meeting and approval by the CSRC. If the above decision-making and approval procedures are not fully fulfilled, the Transaction may be cancelled and the Company will not issue new A Shares under such circumstances. The impact of the Transaction on the public float of H Shares is subject to uncertainties before the decision-making and approval procedures to be fulfilled for the Transaction are fully fulfilled.

Furthermore, as the audit and assets assessment are under progress, the asset value of the Target Assets as disclosed in the Proposal and the Transaction Agreement is merely estimated value. The number of new A Shares to be issued under the Transaction has yet to be finalized. As such, it is uncertain as to whether the public float of H Shares will fall below 10% upon completion of the Transaction.

（3） The possible impact of the Transaction on the public float of H Shares

The total share capital of the Company before the Transaction is 11,039,152,001 shares, of which the public float of H Shares accounts for 1,314,955,468 shares or 11.91% of the entire issued share capital of the Company. Based on the preliminary estimation under the current proposal, the Company intends to issue 2,872,355,163 new A Shares under the Transaction. Assuming that the share capital of H Shares remains unchanged, upon the completion of the Transaction, the total share capital of the Company will be increased to 13,911,507,164 shares, and the public float of H Shares is estimated to be 9.45%, which is an immaterial shortfall of 0.55% from the minimum requirement of 10% permitted by the waiver of the Stock Exchange.

（4） Specific measures to be adopted by the Company

As the number of Consideration Shares to be issued has yet to be finalized, it is uncertain as to whether the public float of H Shares will fall below 10% upon completion of the Transaction. As such, the Company has not formulated any specific measures and corresponding schedules to address the problem in relation to the public float of H Shares.

Once the public float of H Shares falls below 10% as a result of the Transaction, the Company shall adopt measures to solve this problem as soon as possible, including but not limited to additional issuance of H Shares or other capital arrangements.

II. Supplemental Disclosure

The above content has been supplementally disclosed in the Proposal of Acquiring Assets by Way of Issuance of Shares and Connected Transaction (Revised) in "X. Risks in relation to the decrease of the public float of H Shares" under the section headed "Notes to material risks" and "(10) Risks in relation to the decrease of the public float of H Shares" under "II. Risks in relation to the Transaction" under the section headed "Section 9. The matters for approval involved in the Transaction and risk warnings". Please refer to the abovementioned chapters in the proposal for details.

Question 3: Please make supplemental disclosure on the reasons behind the huge difference between the land consideration at the time when Qianhai International received capital contribution from SZMC and the land consideration for the Transaction, the impact of such difference on the Company and its reasonableness, the accounting treatment of the consideration for capital contribution in the statement of Qianhai International, the difference between the consideration for capital contribution and the reference market price at that time and its impact on the net assets of Qianhai International. Accountants please issue professional opinion and make public disclosure.

Reply:

I. Reply in relation to the reasons behind the difference between the land consideration at the time of capital contribution and estimated value and its accounting treatment

（1） Reasons behind the huge difference between the land consideration at the time when Qianhai International received capital contribution from SZMC and the land consideration for the Transaction and its reasonableness

Qianhai International is a wholly-owned subsidiary of SZMC. At the time of capital contribution by SZMC, the three land lots were received at the original land consideration of the capital contribution. The reasons behind the huge difference between the original consideration of the capital contribution and the consideration of the Transaction are as follows:

1. Pursuant to the relevant consideration capital contribution contracts entered into in December 2012 and April 2016, Qianhai Hub Project and Antuoshan Project were injected into SZMC (the internal appraisal date of Shenzhen Planning and Land Resource Bureau, of which the consideration of the capital contribution refers to, normally lies in a period of time before the formal execution of the contract. For instance, the appraisal date for the Antuoshan land lot was in mid-2015). Meanwhile, as the real estate market in Shenzhen continues to develop in recent years, a significant increase can be seen in the average land price, while the planning and construction of Qianhai region is maturing gradually; it is estimated that the selling price of properties and operating income will record a significant increase from the original amount of capital contribution, and therefore the estimated value for both projects see a greater appreciation from the original consideration of the capital contribution. Combined with the market data analysis of the public tender, auction and listing in land grant in Shenzhen and Nanshan District, as at the date of signing the Proposal of Acquiring Assets

by Way of Issuance of Shares and Connected Transaction, in 2016, the average land premium of available floor area marked a significant increase of 353.77% and 284.13% respectively from 2012, and 40.70% and 34.12% respectively from 2015, while the estimated value of Qianhai Hub Project and Antuoshan Project recorded a reasonable growth of 123.30% and 44.69% respectively from the original consideration.

Residential and commercial service land transactions through public tender, auction and listing **in Shenzhen since 2012**

Year	**Land sales area ('000 sq. m.)**	**Planned GFA of land sold （'000 sq. m.）**	**Total transaction value （RMB'000）**	Average land premium of available floor area （**RMB/ sq. m.**）
Since 2016	275.6	1,249.0	33,621,000.0	26,919
2015	322.6	1,686.5	32,267,200.0	19,133
2014	959.7	3,347.6	51,105,280.0	15,266
2013	370.4	2,509.7	37,210,000.3	14,826
2012	481.6	1,697.8	10,072,000.0	5,932

Source: Wind Info.

Residential and commercial service land transactions through public tender, auction and listing **in Nanshan District, Shenzhen since 2012**

Year	**Land sales area ('000 sq. m.)**	**Planned GFA of land sold（'000 sq. m.）**	**Total transaction value （RMB'000）**	Average land premium of available floor area （**RMB/ sq. m.**）
Since 2016	29.8	208.7	5,266,000.0	25,232
2015	44.1	326.2	6,137,010.0	18,814
2014	180.6	1,520.0	26,466,280.0	17,412
2013	48.6	558.7	7,290,000.0	13,049
2012	70.1	691.3	4,541,000.0	6,569

Source: Wind Info.

2. Original consideration capital contribution model is adopted in accordance with Interim Measures for the Consideration Capital Contribution of Land Use Rights of State-owned Land in Shenzhen (《深圳市國有土地使用權作價出資暫行辦法》). SZMC acquired Qianhai Hub Project and Antuoshan Project by way of consideration capital contribution.

Shenzhen Municipal Government backs up railway transportation construction with the appreciation in the value of properties atop metro facilities and projects along the metro routes, supports the establishment and implementation of market-oriented investment and financing of the "railway + property" model, to foster and materialize sustainable development of railway transportation, which, to a certain extent, attribute to the increase in estimated value of the land use rights at the appraisal date from the original consideration of the capital contribution.

The above content has been disclosed in the Proposal of Acquiring Assets by Way of Issuance of Shares and Connected Transaction (Revised) in "(4) Reasons for the Appreciation in the Estimated Value of Target Assets" under "III. Estimated Value of Target Assets" under the section headed "Section 5. Basic Information of Target Assets".

（2） The difference between the land consideration upon capital contribution and the land consideration for the Transaction and its impact on the Company

1. The land consideration of the land use rights of three land lots of Qianhai International at the time of capital contribution by SZMC was RMB23,590 million:

The original consideration of the capital contribution when land use rights of land lots T201-0074, T407-0026 and T407-0027 were injected into SZMC was RMB23,590 million, and the consideration when SZMC injected the capital contribution for the three land lots into Qianhai International was also RMB23,590 million.

2. At the Appraisal date, the estimated value of the land use rights for the three land lots were RMB45,574 million:

The Subject of the Transaction is 100% equity interest in Qianhai International. The appraisal date of the Transaction is 31 May 2016. Upon preliminary estimation, the estimated value of total shareholders' equity in the 100% equity interest in Qianhai International on the appraisal date was RMB45,613 million, in which the estimated value for the land use right of land lot T201-0074 under Qianhai Hub Project was RMB32,503 million, while the estimated value for the land use rights of land lots T407-0026 and T407-0027 under Antuoshan Project was RMB13,071 million. The aggregate estimated value for land use rights was RMB45,574 million, an increase of RMB21,984 million from the original consideration of the capital contribution.

3. The impact of the difference between the land consideration upon capital contribution and the land consideration for the Transaction on the Company

The final consideration of the Target Assets of the Transaction will be determined by entering into a supplemental agreement by both parties after negotiation with reference to the assessed value issued by an asset valuation agency with securities and futures business qualifications and filed with Shenzhen SASAC. The estimated value of Target Assets has considered the effect of differences between the land price injected by the Metro Group to Qianhai International and the pricing of this Transaction on the Listed Company and will reflect the market value of the Target Assets in an objective and truthful manner.

（3） the accounting treatment of the capital contribution in the statement of Qianhai International, the difference between the consideration for capital contribution and the reference market price at that time and its impact on the net assets of Qianhai International

1. Pursuant to the requirements under the Accounting Standards for Business Enterprises, the land use rights for the three land lots shall be accounted for at fair value at the time when Qianhai International received capital contribution from SZMC:

On 22 April 2016 and 26 May 2016, SZMC entered into capital contribution agreement with Qianhai International to inject the land use rights of land lot T201-0074 under Qianhai Hub Project and land lots T407-0026 and T407-0027 under Antuoshan Project into Qianhai International by way of capital contribution.

With reference to Article 11 under Accounting Standards for Business Enterprises No. 1 – Inventories, “The cost of inventories invested by an investor shall be ascertained in accordance with the value as stipulated in the investment contract or agreement, unless it is not stipulated fair in the contract or agreement.”, and the supplementary explanations provided under Accounting Standards for Business Enterprises Explanatory Guidance 2010, “When the agreed value of the investment contract or agreement is unfair, use the fair value of such inventory as its carrying value.”, Qianhai International shall use the fair value of land use rights upon capital contribution of investors as the carrying value of such land use rights.

With reference to Article 18 of Chapter 6 Valuation Techniques under Accounting Standards for Business Enterprises No. 39 – Fair Value Measurement, "Enterprise shall adopt valuation techniques supported by data and other information which is applicable to current situation and sufficient available when measuring relevant assets and liabilities at fair value. The purpose of adopting valuation techniques by the enterprise is to estimate the price of disposing an asset or transferring a liability in an orderly transaction by market participants under the prevailing market conditions." While the valuation of fair value of land use rights at the time of investor's capital contribution based on valuation techniques is RMB45,574 million, with such fair value being confirmed finally on the basis of the assessed value issued by an asset valuation agency with securities and futures business qualifications. As at the interval between the time when Qianhai International received capital contribution from SZMC and the appraisal date of the Transaction is so short, there is no material change in the conditions and market environment related to lands. As such, the above estimated value of fair value is consistent with the estimated RMB32,503 million of the land lots under Qianhai Hub Project and RMB13,071 million of the land lots under Antuoshan Project on the appraisal date of 31 May 2016 as disclosed in China Vanke Co., Ltd.'s Proposal of Acquiring Assets by Way of Issuance of Shares and Connected Transaction.

2. The difference between the consideration for capital contribution and the reference market price at that time and such impact on the net assets of Qianhai International

The difference of RMB21,984 million between the fair value of land use rights and the land consideration of RMB23,590 million agreed on capital contribution agreement is classified and recognized on a one-off basis as capital reserve. Land use rights are reflected as fair value at the net assets of Qianhai International as at 31 May 2016. If there is no difference between the estimated fair value of land use rights and the final fair value, such difference will not have further impacts on the net assets of Qianhai International as at 31 May 2016.

II. Accountant's Audit opinion

KPMG Huazhen (Special General Partnership) issued the following accountant's opinions regarding the above questions proposed in this inquiry letter:

"Regarding that Qianhai International using the fair value of land use rights of investor consideration for capital contribution as the carrying value, the accounting treatments of charging relative impacts into net assets is in compliance with relevant provisions of Accounting Standards for Business Enterprises.

As the auditing works of the financial statements of Qianhai International are still under progress, and the purpose of our auditing is to issue an overall opinion for financial statements, we hereby make no representations as to the reasonableness of the above estimated value of the land use rights' fair value. This explanation is only for China Vanke Co., Ltd.'s reply to the inquiry letter of Shenzhen Stock Exchange. Except for this, any other person shall not rely on this explanation out of any other purpose. And we take no responsibility or disclaim any liability whatsoever for any consequences howsoever arising from the use of this explanation by any other person. The explanation shall not be disclosed, referred to or quoted, in whole or in part, without our prior written consent."

III. Supplementary disclosures

Part of the abovementioned "3. The impact of the difference between the land consideration upon capital contribution and the land consideration for theis Transaction on the Company" in "(2) The difference between the land consideration upon capital contribution and the land consideration for thise Transaction and its impact on the Company" has been supplementary disclosed in "II. The Estimated Value and Transaction Price of the Target Assets of This Transaction" in "Major Issues", "II. The Estimated Value and Transaction Price of the Target Assets of This Transaction" in "Chapter Four: Actual Plan of This Transaction", "(I) The Estimated Value of Target" in "III. The Estimated Value of Target Assets" in "Chapter Five: The Basic Information of Target Assets" and "II. The Pricing Basis of Target Assets" in "Chapter Six: The Pricing and Basis of This Transaction" in "The plans (revised) for purchasing assets by issuance of shares aka connected transactions of Vanke Co., Ltd.".

Question 4: Pursuant to the Proposal, the three land lots are evaluated by dynamic residual method. Please make supplemental disclosure on the development conditions already have, payments of land premium, tax payments and so on based on natures of three land lots, and explain the reasonableness of such consideration evaluation.

Reply:

I. Explanation on the land development conditions already have, payments of land premium, tax payments and the reasonableness of consideration evaluation.

(1) Land development conditions

The three land lots under the Transaction have independent property rights, and legal rights of independent planning and commencing construction. Qianhai International is undergoing relevant procedures of approval including project establishment, environmental evaluation, planning, construction and etc. Details are as follows:

Land Lot T201-0074: Qianhai International has obtained the Title Certificate of Real Estate (不動產權證書) (Yue (2016) Shenzhen Real Estate Title No. 0115424) (粵（2016）深圳市不動產權第 0115424 號) issued by Urban Planning, Land & Resources Commission of Shenzhen Municipality (Shenzhen UPLRC) as at 20 May, 2016. SZMC has obtained the Document Filing Notice on Superstructure Project of Qianhai Comprehensive Transportation Hub issued by Shenzhen Qianhai Authority (深圳市前海管理局關於前海灣綜合交通樞紐上蓋項目的備案通知書) (Shen Qianhai Circular No. [2015]78) (深前海函[2015]78 號) on 4 February 2015 and yet to process application for transformation of relevant parties to Qianhai International. In addition, Qianhai International is still required to conduct approval procedure of environmental assessment and apply for Construction Land Use Planning Permit, Construction Works Planning Permit, Construction Works Commencement Permit and other documents for Qianhai Hub Project.

As of the day of signing the Proposal, Qianhai Hub Project have not commenced construction and is still undergoing the preliminary preparation as a result of the preliminary planning construction of the transportation hub project adjacent to such land. Recently, the application of Construction Land Use Planning Permit will be conducted pursuant to the provisions of relevant laws and regulations.

Land Lot T407-0026, T407-0027: Qianhai International has obtained the Title Certificate of Real Estate (不動產權證書) (Yue (2016) Shenzhen Real Estate Title No. 0127175 (粵（2016）深圳市不動產權第 0127175 號) and Yue (2016) Shenzhen Real Estate Title No. 0127169 (粵（2016）深圳市不動產權第 0127169 號) issued by Shenzhen UPLRC as at 8 June, 2016. In respect of Antuoshan Project, Qianhai International is still required to perform procedures including proposal and environmental assessment and apply for Construction Land Use Planning Permit, Construction Works Planning Permit, Construction Works Commencement Permit and other documents. As of the day of signing the Proposal, Antuoshan Project have not commenced construction yet.

The above contents have been disclosed in the Proposal of Acquiring Assets by Way of Issuance of Shares and Connected Transaction (Revised) in "(IV) Basic information of major assets" of "II. Details of target assets" under "Section V. Basic information of target assets".

(2) Payments of land premium

The nature of land use rights of the three land lots under the Transaction is capital contribution (purchase of shares), which does not entail the payment of land premium.

(3) Tax payments

At the time of obtaining land lots T201-0074, T407-0026 and T407-0027, Qianhai International shall be liable to tax payments including stamp duty and deed tax according to the related laws and regulations. As of the day of signing of the Proposal, the stamp duty of three land lots has been paid in accordance with the existing national standard, and the deed tax of three land lots has been exempted with government approval.

(4) Explanation on the reasonableness of consideration evaluation

Valuers have reviewed title documents of subject of evaluation during this evaluation, reviewed relevant approval documents including capital contribution agreement, book acquisition costs, tax return information and tax bases, and conducted detailed investigation on surrounding land market by ways of site visiting, price inquiry and etc. Valuers have communicated with management of unit of evaluation regarding the project feasibility study and future development plan and fully understood information including development plans of projects and types of proposed properties. After obtaining information including the overall land planning target, development plans and types of proposed properties, valuers has adopted dynamic residue evaluation and full taken into account of impacts of land obtain costs and tax bases on future development process. Meanwhile, impacts of changing business tax into VAT on the result of evaluation has also been considered.

Results of evaluation report have been reached after combining the features of projects and considering various factors on the aspects of evaluation method, parameter selections and tax calculation during the evaluation, and is based on the fully understanding of the subject of evaluation. Therefore, such results are able to reflect the land value at the appraisal date objectively

II. Supplemental Disclosure

The “(3) Tax payments” of “I. Explanation on the land development conditions already have, payments of land premium, tax payments and the reasonableness of consideration evaluation” in the abovementioned contents has been supplementally disclosed in the Proposal of Acquiring Assets by Way of Issuance of Shares and Connected Transaction (Revised) under “7. Tax payment about the Target Company’s major asset” of “(6) Others matters” of “II. Details of target assets” under “Section V. Basic information of target assets”.

Question 5: Pursuant to the Proposal, the net profit achieve by Qianhai International for the period from January to May of 2016, year of 2015 and 2014 are RMB -2.0950 million, RMB 8.3055 million and RMB -6.7910 million. Please explain the specific profitability model of Qianhai International and the sustainable profitability upon the disposal of inventory projects after completion of development and construction

Reply:

I. Specific Profitability Model of Qianhai International

Established in October 2013, Qianhai International is principally engaged in infrastructure investment and operation services of railway transportation and integrated traffic hub, property development, investment and construction, as well as, operation and management services. Prior to the land injection in May 2016, entrusted by SZMC, Qianhai International was responsible for the operation management of projects including Qianhai Hub Project, and incurred relevant management income and expenses. After the injection of land lots T201-0074, T407-0026 and T407-0027 by SZMC, Qianhai International will achieve the transformation of profitability model by fully in charge of the development, construction and operation of Qianhai Hub Project and Antuoshan Project, thereby receive the revenue accordingly.

Qianhai Hub Project is located at the core area of Qianhai Shenzhen-Hongkong Modern Service Industry Cooperation Zone. The parcel area is 200,094.32 sq.m with a total plot ratio GFA of 1,278,090 sq.m with different types of land use including business apartment, office building, commercial properties and hotel; Antuoshan Project is located at the interchange of Shenzhen Overseas Chinese Town and Xiangmihu area, the interchange area of Shenzhen Metro Line 2 and Line 7, which enjoys the high quality ecology and landscape resources rarely in core areas. The parcel area is 175,275.02 sq.m with a plot ratio GFA of 533,356 sq.m, with land use types including residential, business apartment, commercial properties and office building.

The aforementioned projects include various product categories. Qianhai International will, according to different types' features, adopt the business model of combining property sales and operation for Qianhai Hub Project. Part of properties will be constructed and sold for development revenue, while part of properties will be held by company itself and operated to generate continuous stable operation revenue and value-added revenue in the future. Antuoshan Project will mainly focus on the external sales.

II. The sustainable profitability upon the disposal of inventory projects after completion of development and construction

(1) Particulars of holding and operating property

As stated above, Qianhai International will own certain properties of Qianhai Hub Project after the development, construction and disposal of certain properties are completed, to obtain rental income and property appreciation yields in the future after completion of construction. The types of self-owned properties of Qianhai Hub Project include offices, commercial area, hotels, underground car parking spaces and others.

(2) Analysis of the ability to continue as a going concern of the properties holding and operating

1. Rental guarantee of core districts and crowded areas

Qianhai Hub Project leverages on the strength of geographic location. It is located in the core area of Guiwan Area, Shenzhen City Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, providing seamless connections with the integrated traffic hub in Qianhai (comprising various transport connection stations, such as interchange station of five rail lines, buses, taxis, tour buses and so on). Qianhai Hub Project will benefit from the advantages in geographic location and high traffic of the transportation hub, and obtain sustainable rental guarantee and property appreciation yields during the operation of the properties (such as hotels, offices, commercial areas and car parking spaces).

2. Revenue from rising rent

The leasing market of the commercial properties and office properties in Shenzhen has been developing in the recent years, and the average rent has been rising significantly. The average monthly rent of Grade A office properties in Shenzhen was RMB254.20/sq m at the end of 2015, increasing by 7.89% from RMB235.60/sq m at the end of 2014; the average monthly rent of the premium shopping centers in Shenzhen was RMB928.00/sq m at the end of 2015, increasing by 4.86% from RMB885.00/sq m at the end of 2014. The properties operated by Qianhai Hub Project will benefit from the revenue generated by the rising rent.

3. Additional revenue from new business segment

Leveraging on the advantage in attracting shoppers, the properties atop of metro facilities, being the transport hub, will become an incubator for Vanke. Qianhai International will become a platform for Vanke to develop its new business, facilitating the upgrade and transformation of Vanke’s business and offering a new direction of operating and developing Qianhai International with the “railway + property” model.

4. Flexibility for adjustment of projects

Vanke can flexibly adjust the development, sale and operation of the projects owned by Qianhai International according to its long-term development strategies and the changing market situation, so as to better response to the growing demand of customers for living and urban property service during the process of urbanization, and to enjoy revenue generated by property appreciation, maximize value of projects, guarantee Qianhai International’s ability to continue as a going concern, and create satisfactory returns for shareholders .

Based on the above, the various types of properties of Qianhai Hub Project and Antuoshan Project owned by Qianhai International will bring sales income, rental income and gains on appreciation to Qianhai International upon the completion of development. After the disposal of the properties for sale, Qianhai International will capitalize on the unique geographic and high-traffic advantages of the projects to obtain sustainable rental income, gains on appreciation and additional revenue generated by new business and maximize value of projects via holding the properties in operation under the “railway + property” operating model, thereby enhancing Qianhai International’s ability to continue as a going concern.

II. Supplementary disclosures

The abovementioned content has been supplementary disclosed in newly added section of “(V) Profit Model and Sustained Profitability” in “II. The detailed information of Target Assets” in “Chapter Five: The Basic Information of Target Assets” in “The plans (revised) for purchasing assets by issuance of shares aka connected transactions of Vanke Co., Ltd.”

Question 6: Pursuant to the Proposal, the issue price of the consideration shares in the Transaction is RMB15.88 per share, which is 93.61% of the average trading price of shares of the Listed Company of 60 trading days prior to the Price Determination Date. The Company please fully discloses the reason of selecting the market reference price and its impact on the Company.

Reply:

I. Reply to the reason of selecting the market reference price for the issue price of the consideration shares in the Transaction and its impact on the Company

(1) The issue price in the Transaction complies with the relevant requirements of the Measures for Restructuring

Pursuant to Rule 45 of the Measures on the Administration of Material Asset Restructuring of Listed Companies (hereinafter referred to as the "Measures for Restructuring"): "The Listed Company shall not issue share at a price less than 90% of the market reference price. The market reference price is one of the average trading prices of shares of the Company of 20 trading days, 60 trading days or 120 trading days prior to the date of announcement of the resolutions of the Board in relation to this Acquisition of Assets by way of Issuance of Shares".

The issue price of the consideration shares in the Transaction is selected based on the average trading prices of 60 trading days prior to the suspension of the Listed Company, which is not less than 90% of the average trading price of 60 trading days prior to the Price Determination Date and hence complies with the relevant requirements of Rule 45 of the Measures for Restructuring.

(2) The price of the Transaction is based on the historical valuation level of the Listed Company

Based on the above average trading prices of the A shares of Vanke (SZ.000002, hereinafter referred to as "Vanke A"), both parties of the Transaction decide to use the historical valuation level (i.e. the price-to-earnings ratio, and the mean and the median of price to net asset value for an aggregate of 59 calendar months from 31 January 2011 to 30 November 2015 of A shares of the Company) as the basis of pricing to determine the issue price of the consideration shares for the Transaction. The historical valuation level of the

Company, the basic earnings per share of the Company in 2015 and the share price corresponding to the net asset per share attributable to shareholders of the Listed Company at the end of 2015 are set forth as below:

Item	Historical valuation		2015 financial indicators (RMB)		Corresponding share price (RMB/share)
price-to-earnings ratio	mean	9.45	basic earnings per share	1.64	15.50
	median	9.67			15.86
price to net asset value	mean	1.72	net asset per share attributable to shareholders	9.08	15.62
	median	1.75			15.89

Source: WIND Info

In respect of price-to-earnings ratio, the mean and the median of historical price-to-earnings ratio of Vanke A from 31 January 2011 to 30 November 2015 amounted to RMB9.45 and RMB9.67 respectively, and the price per share were RMB15.50 and RMB15.86 respectively corresponding to the basic earnings per share of Vanke in 2015.

In respect of price to net asset value, the mean and the median of historical price to net asset value of Vanke A from 31 January 2011 to 30 November 2015 amounted to RMB1.72 and RMB1.75 respectively, and the price per share were RMB15.62 and RMB15.89 respectively corresponding to the net asset per share attributable to shareholders of Vanke at the end of 2015.

(3) Basis of price determination for the Transaction

Based on the historical price-to-earnings ratio and price to net asset value of Vanke A, both parties of the Transaction determine the initial issue price per share as RMB15.88, which is 93.61% of the average trading price of 60 trading days prior to the Pricing Reference Day, in consideration of the intrinsic value, future expectation and other factors of the Listed Company and the Target Assets after arm's length negotiations.

Relevant procedures of the pricing for the Transaction has been and will be in strict compliance with the requirements under laws and regulations to fully protect the interests of the listed company and small and medium shareholders. The issue price of shares has been considered and approved by the Board of the Company. Independent directors have granted approval to the pricing in advance and agreed to the Transaction. After the Board meeting, the

Company has announced disclosure documents for the Transaction within prescribed time and disclosed the proposed Transaction and information in relation to the price determination of issuance of shares in a timely manner. Subsequently, the Company will strictly comply with the requirements under laws and regulations and re-submit relevant proposals to the Board and general meeting for consideration.

(4) The impact of the issue price in the Transaction on the Company

The estimated value of the target of the Transaction was RMB45.613 billion, the Company will issue 2,872,355,163 A shares based on an issue price of RMB15.88 per share. The shareholding structure of the Company after the completion of issue will be changed.

As of 31 May 2016, the shareholding structure of the Company prior to the Transaction is as follows:

Major shareholders	Total number of shares held	Percentage of total share capital
CRC	1,682,759,247 (A shares)	15.24%
HKSCC NOMINEES LIMITED	1,314,926,555 (H shares)	11.91%
Shenzhen Jushenghua Co., Ltd.	926,070,472 (A shares)	8.39%
Guosen Securities – Industrial and Commercial Bank of China - Guosen Jinpeng No.1 Classified Collective Asset Management Plan	456,993,190 (A shares)	4.14%
Foresea Life Insurance Co., Ltd. - Hai Li Nian Nian	349,776,441 (A shares)	3.17%
China Securities Finance Corporation Limited	330,361,206 (A shares)	2.99%
CMS Wealth - CMB – De Ying No. 1 Specialised Asset Management Plan	329,352,920 (A shares)	2.98%
AnBang Property & Casualty Insurance Co., Ltd - Traditional Products	258,167,403 (A shares)	2.34%
AnBang Life Insurance Co., Ltd. - Conservative Investment Portfolio	243,677,851 (A shares)	2.21%
Western Leadbank FMC - China Construction Bank - Western Leadbank Jinyu No.1 Asset Management Plan	225,494,379 (A shares)	2.04%
Share capital of A shares	9,724,196,533	88.09%
Share capital of H shares	1,314,955,468	11.91%
Total share capital	11,039,152,001	100%

Note: As disclosed in the 2015 annual report of the Listed Company, as of 31 December 2015, Shenzhen Jushenghua Co., Ltd. and the party acting in concert with it held a total of 2,681,395,724 A Shares of the Company. Since the suspension of trade of the Listed Company's A Shares in December 2015, the shareholding of Shenzhen Jushenghua

Co., Ltd. and the party acting in concert with it have remained unchanged. As of 31 May 2016, shares held by Shenzhen Jushenghua Co., Ltd. and the party acting in concert with it accounted for 24.29% of the total number of shares of the Listed Company and was the single largest shareholder of the Listed Company

Assuming that the share capital of H Shares remains unchanged, upon the completion of the Transaction, the shareholding structure of the Listed Company is as follows:

Major shareholders	Total number of shares held	Percentage of total share capital
Shenzhen Metro Group Co., Ltd.	2,872,355,163 (A shares)	20.65%
CRC	1,682,759,247 (A shares)	12.10%
HKSCC NOMINEES LIMITED	1,314,926,555 (H shares)	9.45%
Shenzhen Jushenghua Co., Ltd.	926,070,472 (A shares)	6.66%
Guosen Securities – Industrial and Commercial Bank of China - Guosen Jinpeng No.1 Classified Collective Asset Management Plan	456,993,190 (A shares)	3.29%
Foresea Life Insurance Co., Ltd. - Hai Li Nian Nian	349,776,441 (A shares)	2.51%
China Securities Finance Corporation Limited	330,361,206 (A shares)	2.37%
CMS Wealth - CMB – De Ying No. 1 Specialised Asset Management Plan	329,352,920 (A shares)	2.37%
AnBang Property & Casualty Insurance Co., Ltd - Traditional Products	258,167,403 (A shares)	1.86%
AnBang Life Insurance Co., Ltd. - Conservative Investment Portfolio	243,677,851 (A shares)	1.75%
Western Leadbank FMC - China Construction Bank - Western Leadbank Jinyu No.1 Asset Management Plan	225,494,379 (A shares)	1.62%
Share capital of A shares	12,596,551,696	90.55%
Share capital of H shares	1,314,955,468	9.45%
Total share capital	13,911,507,164	100%

Note: It is assumed that no additional issue of H Shares has occurred. Upon the completion of the Transaction, Shenzhen Metro Group Co., Ltd. will hold 2,872,355,163 A Shares of the Listed Company, representing 20.65% of the total share capital of the Listed Company after the completion of the Transaction. The total A Shares held by Shenzhen Jushenghua Co., Ltd. and the party acting in concert with it will account for 19.27% of the total share capital of the Listed Company after the completion of the Transaction.

The above contents have been disclosed in “(III) Impact on the shareholding structure of the Listed Company” of “IV. The Impact of the Transaction on the Listed Company” of “Notice on significant matters” and “(III) Impact on the shareholding structure of the Listed Company” of “IV. Other Impacts on the Listed Company” of “Notice on significant matters” of “Section VII The Impact of the Transaction on the Listed Company” of “China Vanke Co., Ltd. Proposal of Acquiring Assets by Way of Issuance of Shares and Connected Transaction”.

II. Supplementary disclosure

“(2) The price of the Transaction is based on the historical valuation level of the Listed Company**”** stated above have been disclosed in “I. Basis of price determination for consideration shares” of “Section VI Price determination and basis for the Transaction” of “China Vanke Co., Ltd. Proposal of Acquiring Assets by Way of Issuance of Shares and Connected Transaction (Revised)”.

Part of the contents of “(3) Basis of price determination for the Transaction” have been disclosed in“(III) The issue price and pricing method”of “III. The basic information of the issuance of shares of the Listed Company” of “Notice on significant matters” and “III. The basic information of the issuance of shares of the Listed Company” of “Section IV Specific proposal for the Transaction” of “China Vanke Co., Ltd. Proposal of Acquiring Assets by Way of Issuance of Shares and Connected Transaction (Revised)”.

Question 7:

Pursuant to the Proposal, the Company has warned against the risks in relation to diluted earnings per share in the short term. Please verify and state whether the information disclosure and procedures of review comply with the requirements under Guiding Opinions on Matters Relating to the Dilution of Current Returns As a Result of Initial Public Offering, Refinancing and Major Asset Restructuring (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》) (CSRC Announcement [2015] No. 31).

Reply：

I. Requirements under CSRC Announcement [2015] No. 31

Taking into account the specific circumstances and according to CSRC Announcement [2015] No. 31, the Company is required to verify and disclose the following matters:

(I) The movement in earnings per share of the previous year as compared to that of the year of completion of major asset restructuring.

(II) Where the expected basic earnings per share or diluted earnings per share of the year of completion of major asset restructuring is less than that of the previous year and thus the current returns is being diluted, the Company shall disclose:

1. The necessity and rationality of the decision of the Board concerning the financing or major asset restructuring.

2. Relationships between the investment projects to be financed with the proceeds and the existing businesses of the company, and preparations in terms of human resources, technologies and market made by the company for the investment projects to be financed with the proceeds.

The Company shall also, based on its own business characteristics, develop and disclose specific remedial measures to improve its ability to generate sustainable return, which shall include but not limited to:

1. The operating positions, development trend, major risks and measures for improvement of the Company’s existing business segments

2. Detailed measures for improvement of daily operation efficiency, reduction of operational cost and improvement of business performance.

(III) All directors and senior management of the Company will faithfully and diligently perform their duties, safeguard the legitimate rights and interests of the Company and all shareholders. Pursuant to the relevant provisions of CSRC, the following commitments were made to ensure the Company shall practically implement remedial measures:

1. not to channel any interests to other entities or individuals at nil consideration or on unfair terms and conditions, nor otherwise cause harm to the interests of the Company;
2. to place restrictions on duty-related consumption activities of the Directors and senior management;
3. not to use any assets of the Company for any investment and consumption activities that are irrelevant to their performance of duties;
4. to ensure that the remuneration system formulated by the Board or the Remuneration Committee is linked to performance of the remedial measures to be adopted by the Company; and
5. to ensure that the conditions for any exercise of stock incentive schemes of the Company are linked to performance of the remedial measures to be adopted by the Company.

(IV) The Board of the Company shall form a proposal with an analysis whether the current returns would be diluted by the financing and major assets restructuring of the Company, remedial measures to be adopted and relevant commitment and put the resolution forward for review and approval at the shareholders' meeting.

(V) The financial advisor shall provide opinions, including whether the rationality of the Company's expectation the dilution of current returns, remedial measures and relevant commitments comply with the spirit of safeguarding the legitimate rights of small and medium investors as stated in the Opinions of the General Office of the State Council on Further Strengthening the Protection of Small and Medium Investors' Legitimate Interests in Capital Market (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》).

II. Dilution of Earnings per share of the listed company by the Transaction in the short term

Under the Transaction, the listed company intends to acquire 100% equity interests of Qianhai International held by SZMC by way of issuance of shares. The estimated value of total shareholders' equity in the Target Assets, being 100% equity interests of Qianhai International, on the appraisal date is RMB45,613 million. The parties have determined, on the basis of such estimated value, an initial consideration of RMB45,613 million. The listed company shall fully settle the consideration by way of issuance of shares. The issue price of the Consideration Shares based on the initial determination is RMB15.88 per share and on this basis, the listed company shall issue 2,872,355,163 A shares to SZMC under the Transaction.

According to the unaudited financial information of the Target Assets, the Target Assets recorded a net profit of RMB8.3055 million and a net loss of RMB2.095 million for 2015 and January-May 2016 respectively. Given that the core assets of the Target Assets are Parcel No. T201-0074 under Qianhai Hub Project and Parcels No. T407-0026 and T407-002 under Antuoshan Project held by it, and the development, construction and future revenue contribution of which require a long period of time, as well as due to the specificity of "railway + property" model, profit contribution primarily concentrates in later stage of the projects. As such, earnings per share of the listed company will be diluted in the short term under the Transaction.

III. Information disclosure and procedures of review by the Company

In respect of the dilution of earnings per share of the listed company by the Transaction in the short term, the Company has given relevant risk warnings in "(II) Risk of diluted earnings per share of the Company in the short term" of "VII. Operational risk of the Company upon the completion of the Transaction" of "NOTES TO MATERIAL RISKS" of "China Vanke Co., Ltd. Proposal of Acquiring Assets by Way of Issuance of Shares and Connected Transaction".

On 17 June 2016, the Company held the 11th meeting of the 17th session of the board of directors at which the above proposal was considered and approved.

As the Transaction is still in the proposal stage and the audit and assessment on the Target Assets have not yet completed, the Company cannot exercise accurate judgement on the specific impacts of the Transaction on the earnings per share of the listed company. Upon the completion of audit and assessment on the Target Assets, based on the assessed value issued by an asset valuation agency with securities and futures qualifications and filed with Shenzhen SASAC, the Company will determine the final consideration of the Transaction through negotiation and execution of supplemental agreement. The Company will also prepare the pro forma financial statement on the basis of the result of the audit on the Target Assets, with a view to determine the specific impacts of the Transaction on the earnings per share of the listed company. The audited financial information, result of asset appraisal and pro forma financial information will be disclosed in the Report on Acquiring Assets by Way of Issuance of Shares and Connected Transaction.

Upon the completion of audit and assessment in relation to the Transaction, the Company will convene another board meeting to consider matters concerning the Transaction. According to the requirements under the Guiding Opinions on Matters Relating to the Dilution of Current Returns As a Result of Initial Public Offering, Refinancing and Major Asset Restructuring (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》) (CSRC Announcement [2015] No. 31) , the Board of the Company will then form a proposal with an analysis whether the current returns would be diluted by the financing of the Company, remedial measures to be adopted and relevant commitment and put the resolution forward for review and approval at the shareholders' meeting. In addition, the Company will also disclose the dilution of current returns by the Transaction and relevant remedial measures in the Report on Acquiring Assets by Way of Issuance of Shares and Connected Transaction.

The financial advisor will also provide opinions, including whether the rationality of the Company's expectation the dilution of current returns, remedial measures and relevant commitments comply with the spirit of safeguarding the legitimate rights of small and medium investors as stated in the Opinions of the General Office of the State Council on Further Strengthening the Protection of Small and Medium Investors' Legitimate Interests in Capital Market (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》).

Director Qiao Shibo, Director Wei Bin and Director Chen Ying have made certain personal comments on the contents of the Reply. Other than that, the rest of the eight directors did not have any objection to the Reply. The Company will have further exchange opinions and communication with the three aforesaid directors.

(This page contains no text and is for signature of Response by China Vanke Co., Ltd. in relation to Letter of Inquiry Regarding the Restructuring of China Vanke Co., Ltd. (Permission type restructuring inquiry letter [2016] No. 39) from the Shenzhen Stock Exchange)

China Vanke Co., Ltd

2 July 2016