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 2015

FINANCIAL HIGHLIGHTS

1. Revenue was RMB184.32 billion, an increase of 33.6% as compared with 2014.

2. Net profit attributable to shareholders reached RMB18.12 billion, an increase of 15.1% as compared with 2014.

3. Basic earnings per share was RMB1.64, an increase of 14.8% as compared with 2014.

4. Fully diluted return on equity was 18.09%, an increase of 0.23 percentage points as compared with 2014.

5. The property development business achieved a sales area of 20.671 million sq.m. and sales amount of RMB261.47 billion, an increase of 14.3% and 20.7% as compared with the same period last year.

6. As of the end of the reporting period, the Group had an area of 18.41 million sq.m. of resources sold but not yet booked with a total contract amount of about RMB215.05 billion, an increase of 10.2% and 10.5% respectively as compared with the end of 2014.

7. In 2015, the Group acquired 105 new development projects of which approximately 6.30 million sq.m. of site area and 15.80 million sq.m. of planned gross floor area were attributable to Vanke.

8. As at the end of the Reporting Period, the cash and cash equivalents including the pledged deposit held by the Group amounted to RMB53.18 billion.

9. Net gearing ratio (interest-bearing borrowings minus cash and cash equivalents including the pledged deposits, divided by net assets) was 19.30%, which maintained at a relatively low level in the industry.

10. The Board recommended the payment of final dividend RMB0.72 (2014: RMB0.50) per share for 2015.

* *For identification purpose only.*

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 2015 (the "**Period**" or the "**Reporting 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 2015

	Note	**2015** *RMB'000*	2014 *RMB'000*
Revenue	*4*	**184,317,543**	137,994,043
Cost of sales		**(138,625,598)**	(103,359,135)
Gross profit		**45,691,945**	34,634,908
Other income	*5*	**3,431,620**	3,465,009
Distribution costs		**(4,138,274)**	(4,521,889)
Administrative expenses		**(4,853,224)**	(3,985,833)
Other operating expenses		**(229,477)**	(101,710)
Profit from operations		**39,902,590**	29,490,485
Finance costs		**(1,778,974)**	(1,546,798)
Share of profits less losses of associates		**1,383,361**	1,566,326
Share of profits less losses of joint ventures		**1,009,731**	476,809
Profit before taxation	*6*	**40,516,708**	29,986,822
Income tax	*7*	**(14,567,270)**	(10,699,298)
Profit for the year		**25,949,438**	19,287,524
Attributable to:			
Equity shareholders of the Company		**18,119,406**	15,745,454
Non-controlling interests		**7,830,032**	3,542,070
Profit for the year		**25,949,438**	19,287,524
Basic earnings per share (RMB)	*9*	**1.64**	1.43

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 2015

	Note	**2015** *RMB'000*	2014 *RMB'000*
Profit for the year		**25,949,438**	19,287,524
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		**(124,323)**	(48,127)
Cash flow hedge: net movement in the hedging reserve		**(33,290)**	47,817
Available-for-sale securities: net movement in the fair value reserve		**52,891**	16,911
Share of other comprehensive income of an associate		**–**	48,000
Other comprehensive income for the year		**(104,722)**	64,601
Total comprehensive income for the year		**25,844,716**	19,352,125
Attributable to:			
Equity shareholders of the Company		**18,008,226**	15,817,687
Non-controlling interests		**7,836,490**	3,534,438
Total comprehensive income for the year		**25,844,716**	19,352,125

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment		**6,373,913**	4,802,910
Investment properties		**7,609,532**	5,072,340
Intangible assets		**836,490**	757,159
Interest in associates	*10*	**9,427,598**	7,988,683
Interest in joint ventures	*11*	**24,075,826**	11,244,974
Other financial assets		**1,138,813**	133,180
Other non-current assets		**9,642,481**	9,587,611
Deferred tax assets		**5,166,541**	4,016,200
		64,271,194	43,603,057
Current assets			
Inventories		**367,507,209**	314,930,234
Trade and other receivables	*12*	**118,576,603**	83,315,377
Other current assets		**7,956,600**	4,076,000
Pledged and restricted deposits		**1,432,760**	1,061,934
Cash and cash equivalents		**51,747,621**	61,653,320
		547,220,793	465,036,865
Current liabilities			
Bank loans and borrowings from financial institutions		**25,648,370**	22,832,358
Bonds payable		**998,122**	–
Trade and other payables	*13*	**380,825,800**	313,966,609
Current taxation		**12,589,535**	8,855,063
		420,061,827	345,654,030
Net current assets		**127,158,966**	119,382,835
Total assets less current liabilities		**191,430,160**	162,985,892
Non-current liabilities			
Bank loans and borrowings from financial institutions		**33,828,585**	34,536,712
Bonds payable		**19,015,812**	11,612,232
Deferred tax liabilities		**754,849**	821,467
Provisions		**143,221**	53,423
Other non-current liabilities		**1,378,076**	68,441
		55,120,543	47,092,275
NET ASSETS		**136,309,617**	115,893,617
CAPITAL AND RESERVES			
Share capital		**11,051,612**	11,037,507
Treasury shares		**(160,163)**	–
Reserves		**89,292,069**	77,127,063
Total equity attributable to equity shareholders of the Company		**100,183,518**	88,164,570
Non-controlling interests		**36,126,099**	27,729,047
TOTAL EQUITY		**136,309,617**	115,893,617

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. 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. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2 BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2015 include the Company and its subsidiaries (together referred to as 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 make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IAS 19, *Employee benefits: Defined benefit plans: Employee contributions*
- *Annual Improvements to IFRSs 2010-2012 Cycle*
- *Annual Improvements to IFRSs 2010-2013 Cycle*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for the early adoption of Amendments to IAS 27, *Equity method in separate financial statements*.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

	2015	2014
	RMB'000	*RMB'000*
Sale of properties	**178,931,475**	133,752,347
Construction contracts	**356,270**	1,547,659
Property management and related services	**2,799,777**	1,874,018
Others	**2,230,021**	820,019
	184,317,543	137,994,043

The Group's customer base is diversified and does not have customer with whom transaction 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 and assets

For the purpose of assessing segment performance and allocating resources among segments, the Group's most senior executive management monitors the results 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.

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*
For the year ended 31 December 2015						
Revenue from external customers, before sales taxes	**44,244,685**	**51,037,144**	**58,857,885**	**36,526,126**	**2,938,951**	**193,604,791**
Inter-segment revenue	**113,738**	**102,024**	**369,029**	**2,821**	**1,204,781**	**1,792,393**
Reportable segment revenue, before sales taxes	**44,358,423**	**51,139,168**	**59,226,914**	**36,528,947**	**4,143,732**	**195,397,184**
Reportable segment profit	**5,755,169**	**9,766,998**	**11,559,919**	**2,455,762**	**448,101**	**29,985,949**
Reportable segment assets	**123,169,768**	**181,822,097**	**163,329,896**	**91,624,977**	**4,764,275**	**564,711,013**

	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*
For the year ended 31 December 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
Reportable segment assets	127,920,973	158,188,076	146,596,483	96,185,820	5,125,196	534,016,548

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

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

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

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

(ii) ***Reconciliations of reportable segment revenues, profit or loss and assets***

	2015	2014
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**195,397,184**	147,466,351
Elimination of inter-segment revenue	**(1,792,393)**	(1,204,083)
Unallocated revenue	**1,944,339**	125,736
Sales taxes	**(11,231,587)**	(8,393,961)
Consolidated revenue	**184,317,543**	137,994,043
Profit		
Reportable segment profit	**29,985,949**	22,001,922
Elimination of inter-segment profits	**(189,372)**	(268,475)
Share of profits less losses of associates and joint ventures	**2,393,092**	2,043,135
Dividend income	**3,650**	1,969
Other income	**2,018,756**	2,473,866
Other operating expenses, excluding provision for doubtful debts	**(173,751)**	(75,691)
Unallocated expenses	**(235,706)**	(924,363)
LAT	**6,714,090**	4,734,459
Consolidated profit before taxation	**40,516,708**	29,986,822
Assets		
Reportable segment assets	**564,711,013**	534,016,548
Elimination of inter-segment receivables	**(197,014,843)**	(247,125,912)
Unallocated assets	**243,795,817**	221,749,286
Consolidated assets	**611,491,987**	508,639,922

(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	
	2015	2014
	RMB'000	*RMB'000*
Mainland China	**184,245,414**	137,926,348
Hong Kong	**72,129**	67,695
	184,317,543	137,994,043

	Specified non-current assets	
	2015	2014
	RMB'000	*RMB'000*
Mainland China	**52,495,709**	37,031,669
Hong Kong	**2,041,997**	1,169,152
The United States of America	**2,660,964**	1,386,036
The United Kingdom	**1,905,981**	–
	59,104,651	39,586,857

5 OTHER INCOME

	2015	2014
	RMB'000	*RMB'000*
Interest income	**1,371,188**	928,569
Gain on previously held interest in joint ventures upon taking control	**941,921**	–
Gain on bargain purchase of subsidiaries	**495,387**	–
Gain on previously held interest in subsidiaries upon loss of control	**395,770**	915,673
Forfeited deposits and compensation from customers	**139,046**	102,515
Net exchange gain	**38,026**	60,605
Dividend income from unlisted investments	**3,650**	1,969
Net gain/(loss) on disposals of property, plant and equipment	**2**	(2,168)
Net realised and unrealised gain on financial derivatives	**–**	11,013
Fair value reserve reclassified from other comprehensive income	**–**	(73,154)
Net loss on disposals of financial derivatives	**–**	(11,687)
Net loss on disposal of available-for-sale investment	**(64)**	–
Net (loss)/gain on disposals of subsidiaries	**(172,461)**	1,485,818
Others	**219,155**	45,856
	3,431,620	3,465,009

6 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2015	2014
	RMB'000	*RMB'000*
Interest on interest-bearing borrowings	**4,852,954**	6,834,627
Less: interest expense capitalised into inventories, investment properties and construction in progress	**(3,073,980)**	(5,287,829)
	1,778,974	1,546,798

(b) Staff costs

	2015	2014
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**5,556,045**	4,925,324
Contributions to defined contribution retirement plan	**302,082**	297,145
Equity-settled share-based payment expenses	**–**	2,576
	5,858,127	5,225,045

(c) Other items

	2015 RMB'000	2014 RMB'000
Depreciation and amortisation	**715,806**	548,905
Cost of inventories	**135,592,601**	99,933,150
Rental income from investment properties	**(220,981)**	(138,225)
Operating lease charges in respect of properties	**104,727**	117,304
Project management fee charged to associates and joint ventures	**(350,004)**	(344,822)

7 INCOME TAX

	2015 RMB'000	2014 RMB'000
Current tax		
Provision for CIT and Hong Kong Profits Tax	**8,933,256**	6,590,729
Provision for LAT	**6,748,840**	4,772,785
Withholding tax	**15,643**	35,125
	15,697,739	11,398,639
Deferred tax		
Origination and reversal of temporary differences	**(1,130,469)**	(699,341)
	14,567,270	10,699,298

(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% (2014: 25%), except for certain subsidiaries which enjoy a preferential income tax rate.

The provision for Hong Kong Profits Tax for 2015 is calculated at 16.5% (2014: 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

	2015	2014
	RMB'000	*RMB'000*
Dividend to be proposed at the Company's forthcoming annual general meeting of RMB0.72 per share (2014: RMB0.50 per share)	**7,948,175**	5,518,754

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

	2015	2014
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.50 per share (2014: RMB0.41 per share)	**5,524,401**	4,516,137

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 RMB18,119,406,000 (2014: RMB15,745,454,000) and the weighted average of ordinary shares of 11,041,440,000 (2014: 11,016,872,000) shares in issue during the year, calculated as follows:

Weighted average number of shares:

	2015	2014
	Shares'000	*Shares'000*
Issued shares at 1 January	**11,037,507**	11,014,969
Effect of shares repurchased	**(3,120)**	–
Effect of share options exercised	**7,053**	1,903
Weighted average number of shares at 31 December	**11,041,440**	11,016,872

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 dilutive effect for the year ended 31 December 2015 and 2014.

10 INTEREST IN ASSOCIATES

	2015	2014
	RMB'000	*RMB'000*
Share of net assets		
– listed in Hong Kong	**3,386,626**	2,881,637
– unlisted	**6,040,972**	5,107,046
	9,427,598	7,988,683

11 INTEREST IN JOINT VENTURES

	2015 *RMB'000*	2014 *RMB'000*
Share of net assets	**24,075,826**	11,244,974

12 TRADE AND OTHER RECEIVABLES

	2015 *RMB'000*	2014 *RMB'000*
Trade debtors	**2,563,204**	1,927,009
Less: allowance for doubtful debts	**(52,551)**	(32,937)
	2,510,653	1,894,072
Other debtors	**48,436,057**	21,063,445
Amounts due from associates	**4,850,513**	6,768,972
Amounts due from joint ventures	**22,199,073**	21,092,046
Prepayments	**39,646,973**	29,433,126
Gross amount due from customers for contract work	**811,139**	3,027,311
Derivative financial instruments	**122,195**	36,405
	118,576,603	83,315,377

All of the trade and other receivables, apart from receivables of RMB1,406 million (2014: RMB1,503 million), are expected to be recovered within one year.

(a) 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:

	2015 *RMB'000*	2014 *RMB'000*
Within 1 year	**2,226,662**	1,432,014
1 to 2 years	**124,718**	228,877
2 to 3 years	**96,227**	162,626
Over 3 years	**63,046**	70,555
	2,510,653	1,894,072

13 TRADE AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Trade creditors and bills payable	**108,191,191**	88,339,094
Other payables and accruals	**44,662,273**	35,214,020
Amounts due to associates	**4,338,016**	2,447,727
Amounts due to joint ventures	**10,777,038**	5,879,922
Receipts in advance	**212,625,706**	181,749,337
Interest payables	**231,576**	336,509
	380,825,800	313,966,609

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

	2015 RMB'000	2014 RMB'000
Current or payable on demand	**107,551,800**	87,760,799
Due after one year	**639,391**	578,295
Total	**108,191,191**	88,339,094

II TO SHAREHOLDERS

In 2013, we were certain that the property industry had entered its silver age. Such judgement had gained increasing broader acceptance during the market adjustment in 2014. However, when the market recovered in 2015, what was the implication? Do we need to change our view?

No. We stick to our belief. Undoubtedly, we saw a general rebound in the transaction amount in major cities in 2015; we saw rapid upsurge in property prices in certain cities, and we even saw land price in individual cities rise to an astounding level. Yet we should not neglect the fact that many more cities were still in the process of clearing their dwelling stock.

Dwelling-to-household ratio (the number of fully furbished residential units with kitchen, toilet and bathroom/the number of resident households) is a common international standard to measure the adequacy of dwelling stock. It is generally regarded that the market is at equilibrium when dwelling-to-household ratio is 1.1. At the end of 2014, out of the 49 relatively developed cities in China where Vanke has a presence, there were 12[1] cities with the dwelling-to-household ratio less than 1, eight[2] cities with the ratio greater than 1 but not more than 1.1, and 29[3] cities with the ratio greater than 1.1.

1 Beijing, Shanghai, Tianjin, Xuzhou, Wenzhou, Shenzhen, Quanzhou, Dongguan, Urumqi, Hefei, Ningbo, Taiyuan

2 Jinan, Wuhan, Nanchang, Xiamen, Haikou, Nanjing, Foshan, Guangzhou

3 Kunming, Zhuhai, Nanchong, Changzhou, Hangzhou, Nanning, Qingdao, Yangzhou, Guiyang, Tangshan, Wuxi, Suzhou, Zhengzhou, Changchun, Xi'an, Chengdu, Chongqing, Fuzhou, Yantai, Zhongshan, Qinhuangdao, Dalian, Changsha, Huizhou, Jilin, Zhenjiang, Shenyang, Anshan, Sanya

4 Kunming, Xi'an, Changzhou, Guiyang, Tangshan, Jinan, Jiaxing, Yinchuan, Changsha, Zhengzhou, Dalian, Chengdu, Shenyang, Taiyuan, Changchun, Urumqi, Nanjing, Hefei, Nanning, Yantai, Harbin, Nanchang, Qingdao, Hangzhou, Wuhan, Suzhou, Wuxi, Fuzhou, Xiamen, Ningbo, Foshan, Haikou, Wenzhou, Tianjin, Guangzhou, Chongqing, Shanghai, Dongguan, Beijing, Shenzhen

If dwelling-to-household ratio of a city is greater than 1.1, that means the city must slow down the growth rate of its new housing development, to allow time for growth in population and emergence of new households. As such, it made sense for the floor area of new construction started of commodity housing continued to decline in 2014 and 2015. This was the necessary process in inventory depletion.

If what we saw in the residential market was variation within the segment, then the situation in the commercial and office property sector was more extreme. In the US, where the service industry was extremely well developed, the accumulated inventory of commercial/office area was 4 sq.m. per capita. But in the five-year period from 2011 to 2015 alone, among the 40 relatively developed cities in China, there were only nine cities left with less than 4 sq.m. per capita of commercial/office floor area newly available for sale: Beijing and Shenzhen with less than 1 sq.m., Shanghai, Dongguan and Chongqing with less than 2 sq.m., Guangzhou, Tianjin, Wenzhou and Foshan with less than 4 sq.m.. This together with the impact of the internet and e-commerce on traditional retail had led to a general oversupply in the traditional commercial/office property sector.

The urbanization in China is far from over. In the next 10 years, the urban population in China is expected to increase by 170 million, which will create enormous demand for housing and associated services. The next phase of city dwellers migration mainly comprises post-90s and post-2000s generations. Unlike their parents who are known as "farmers-turned-workers", these city dwellers and their families will settle down in the city. Compared with their parents, they enjoy better living conditions in their childhood and receive higher education. The mobile internet age has become part of their life and knowledge. As a result, the increase in demand for house and job, as well as living requirements from these city dwellers will be totally different from those of the past.

In developed countries, it is quite common that income of blue collar technical workers exceed that of ordinary white collar workers. It is believed that China is no exception. In future, the huge number of families of new city dwellers, in the short run, may be daunted by the expensive property price in first-tier cities. However, with the growing sophistication of the rail transit network, the various cities and towns that spread across megalopolises could be suitable for their new homes. They may not, in the short term, be able to pay for the down payment to realise their dream of becoming a home owner, but the declining interest rate may render them more decent living conditions than those of their parents, initially through renting property.

However, we do not need to be over-pessimistic. We believe the silver age still represents an era of prosperity. Following the end of the golden age of traditional property development, there are massive emerging demands for properties awaiting to be satisfied.

The State's gradual slipping into an era of aging population not only amplifies the challenge to economic development but also sparks new demands. As at the end of 2015, the population aged 65 and over in China amounted to 144 million, representing 10.5% of the total population. It is expected that the State's elderly population will reach 200 million by 2025. According to the elderly market development in the US, the healthcare sector accounted for 10% of the total GDP and elderly care accounted for 10% of the healthcare sector, and the market size of retirement communities was similar to that of elderly care. If China's GDP maintains a growth rate of 7%, it is expected that, by 2023, the Chinese elderly care services and retirement communities will each generate market opportunities worth RMB1 trillion.

In 2014, China's e-commerce penetration rate (11%) had exceeded that of the US (10 %). On the one hand, the rapid development of e-commerce undoubtedly puts traditional commercial property under huge pressure, but on the other hand, it also provides enormous room for development of logistics property. At present, the modern warehousing area per capita in China is only 10% of that of the US.

In the real estate service sector, single-service providers of traditional property management and agency services are evolving into provision of comprehensive lifestyle services. According to the report of China Property Management Association, there was approximately 16.5 billion sq.m. of property management area in the State's 31 provincial cities and autonomous regions in 2014, representing an increase of 13.5% from that of 2012. On the other hand, customers are also extending their requirements from professional services such as cleaning, maintenance and security to community ancillary facilities such as cafeteria, fitness centre, childcare and laundry, as well as home economics, housing trust and agency services for leasing and sale, and other value-added services for community life in the mobile internet age, such as increasingly popular car sharing, skills sharing, community financing services, etc.

China is still in an initial stage of development in real estate finance, thus allowing ample room for imagination. In the US, the REITs market expanded tremendously since the 1980s. As of the end of 2015, the US REITs total market value reached US$939 billion, which was 122 times of that in 1985. From 1972 to 2015, the compound annual return for equity REITs in the US was 12%, while the annual returns of NASDAQ and Dow Jones Industrial Average for the period were 8.86% and 6.99% respectively. In future, the size of securitized assets in China will significantly surpass those in the US. This is a huge and untapped sector.

The reform on the supply-side is a general direction for China's future economic development. In the property sector, reform should focus on the development of effective supply, promotion of transformation and innovation, and satisfaction of new demands, as well as replacing "property + steel and cement" with "property + service". International experience showed that when an economy reached its mature stage, the pivotal position of the property industry in the economy would be further entrenched, rather than weakened, as a result of generation of associated services.

According to the statistics of the Organisation for Economic Co-operation and Development, the direct contribution of the property sector to GDP in major developed countries worldwide from 2009 to 2014 was 10.9% on average (approximately 5.8% in China at present). When combining with the contribution from upstream and downstream of the industrial chain, the total contribution amounted to almost 20% of GDP (approximately 13.8% in China at present). With the blessing of proper policy guidance, the various industry segments under "property + service" may have the potential to generate investment and revenue of over a trillion dollars. Their aggregate amount would have the effect of doubling the size of the property sector.

The concentration level of these new emerging industry segments may significantly exceed that of the property development sector. Should any leading enterprise in the property industry be able to seize the opportunity for transformation, it would discover a much broader field for it to manoeuvre. Based on this belief, Vanke explicitly put forth in its new 10-year plan that it has to transform from a residential property developer to an integrated urban property service provider.

In 2015, improvements in Vanke's operating results and capability had been encouraging. To the Company, brand premium brought along by "quality housing + quality services" had proved to be more valuable than realising a sales amount of RMB260 billion. Since the launch of the co-investment policy a year ago, the Company not only found itself among the best companies in the industry in terms of cost and expenses management, but also achieved satisfactory results in project development. Despite the adverse situation resulting from obvious overheat land market in certain areas, Vanke acquired sufficient amount of land lots in 2015. More importantly, none of these projects pose high risk to the Company's operations nor are there any supreme land lots where the cost per sq.m. would be higher than the expected selling price.

However, the Vanke management should not be complacent about its achievement. The Company's effective transformation would be more meaningful than maintaining successful traditional operations. Vanke management needs to demonstrate that they are the best in the industry. To uphold our professional dignity, we need not only to prove our ability in all aspects of our traditional business, but should also be able to be the first management team to find the way forward in the silver age.

Exploring a new path into the future will be harder than in the arena that we are familiar with. In the face of increasing uncertainties, we have to be more committed, and we need to rely more on our wisdom, and our shareholders' support is indispensable for the cause.

Once again, I would like to extend my gratitude to shareholders for their decision and trust. The future can be bright and promising, and it is going to be determined by all of us.

III MANAGEMENT DISCUSSION AND ANALYSIS

Changes in market environment and the management's perspective

During the Reporting Period, the sales amount of commodity residential units in China gradually recovered to positive growth. The sales area of commodity residential units for the year amounted to 1.124 billion sq.m., and the sales amount reached RMB7,280 billion, representing an increase of 6.9% and 16.6% as compared with last year respectively.

The performances at different cities varied. The Group continued to monitor 14 cities (Beijing, Shanghai, Shenzhen, Guangzhou, Tianjin, Shenyang, Hangzhou, Nanjing, Chengdu, Wuhan, Dongguan, Foshan, Wuxi, Suzhou). Sales area of commodity residential units began to increase from the fourth quarter of 2014. The sales area in 2015 increased by 35.1% as compared with 2014, an increase of 18.2% over 2013. Excluding the above 14 major cities, the sales area from the rest of the country continued to decline year on year since the first quarter of 2014, and only resumed its growth in the second quarter of 2015. Besides, the increase for the country as a whole was only 3.3%, whilst the sales area for the year did not resume the level in 2013.

During the Reporting Period, the area transacted on residential units in the above 14 major cities apparently recovered. The area of residential units approved for pre-sale decreased by 5.3% as compared with 2014. In 2015, the proportion of sales to approval for sales in the four quarters (area of residential units transacted/area approved for pre-sale during the same period) in the above 14 cities were 1.10,1.19,0.99 and 1.24 by quarter respectively. The sales of new homes as a whole was more than supply. As at the end of 2015, new home inventory at the above 14 cities (those that obtained sales permit but area not yet sold) decreased from 155 million sq.m. at the beginning of the year to 139 million sq.m. Inventory cycle (inventory area/area sold on moving average for the last three months) was decreased from 11.5 months to 8.4 months.

Apart from certain major cities, other parts of the country were still facing relatively greater pressure in the de-stocking. The development and investment activities in the real estate sector remained sluggish. In 2015, the floor area of new housing commencing construction was just 1.07 billion sq.m., which further fell by 14.6% after a decrease of 14.4% in 2014. This was the first time in history that the floor area of new housing commencing construction was less than the sales area of commodity residential units. The growth rate of investment in development of residential units throughout the country fell for the second consecutive year. It was only 0.4% in 2015, a historical low figure. The continuous decrease in the floor area of new housing commencing construction and ongoing slow down with investment reflected that residential properties market in a majority of areas at present were still facing relatively substantial challenge. On the other hand, it may facilitate to reduce the supply of new homes in the coming one to two years. There will be rooms for development of the industry upon the gradual de-stocking.

Given the material differences in the markets of various cities, since 2015, the government introduced series of measures to support the residents households owning their own homes and those demands of improving living under the principles of "segmental guidance and implementation of policy according to actual conditions". These measures included reducing the time limit on imposing sales tax upon the transfer of housing by individuals from 5 years to 2 years, reducing the minimum down payment ratio of household that purchase ordinary residential units for the first time at cities without purchase restrictions, and the commercial loans for the purchase of second residential units, adjusting the deed taxes for real estate transactions and launching favourable policies in business tax, so as to lower the threshold for the residents to purchase residential units, and reduce the purchase cost. As such, the demand for housing was released. During the year, in response to the changes in the macroeconomic situation within China and overseas, the central bank cut deposit and lending benchmark rate five times and reduced the deposit required reserve ratio five times. The benchmark deposit and lending interest rate for financial institutions in China fell to historic low level. Under such loose loose credit environment, the residents were provided with favorable conditions for the purchase of residential units.

During the Reporting Period, due to the diversification in the residential units market, developers became reducing their investment layout, and focused on core urban area. The land market became varied in demand. Quality lots at popular cities continued to face intense competition. During the first half of 2015, the area supplied for residential units in the aforementioned 14 major cities (including mixed use) fell by 36.9%, and the area transacted fell by 50.9% as compared with the end of last year. However, the prices stayed at high level. During the second half of the year, both the area supplied and transacted recovered, with an increase of 1.6% and 23.5% respectively as compared with the same period last year. The transaction price of land even reached new height. The land premium rates (the average actual transaction price of floor area/average auction price of floor area for land transactions) at 14 cities increased from 1.15 as at the end of 2014 to 1.23 by mid-2015, and further to 1.35 at the end of 2015.

Business Review

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

In 2015, the Group achieved a revenue of RMB184.32 billion, an increase of 33.6% from RMB137.99 billion in 2014. Net profit attributable to the shareholders was RMB18.12 billion, an increase of 15.1% from RMB15.75 billion in 2014. The Group achieved a gross profit margin of 21.13%, a decrease of 0.51 percentage point as compared with 2014. The net profit margin including non-controlling interests was 14.08% (2014: 13.98%). Basic earnings per share was RMB1.64, an increase of 14.8% from RMB1.43 in 2014.

Unit: RMB'000

Segment	Revenue		Cost of sales		Profit margin Note	
	Amount	Change	Amount	Change	Value	Change
1. Core business	182,087,522	32.74%	138,288,721	33.89%	20.35%	-0.98 percentage points
Including: Property development	179,287,745	32.51%	136,005,331	33.76%	20.38%	-1.05 percentage points
Property service	2,799,777	49.40%	2,283,390	41.98%	18.44%	4.39 percentage points
2. Other business	2,230,021	171.95%	336,877	347.76%	84.89%	11.42 percentage points
Total	**184,317,543**	**33.57%**	**138,625,598**	**34.12%**	**21.13%**	**-0.51 percentage points**

Note: The operating profit margin had already deducted the sales related taxes but excluding the LATs.

(1) Business segments

Property development business

The key products of the Group's property development business are commodity residential properties, as well as other retail properties and industrial properties related to the urban auxiliary purposes.

During the Reporting Period, the Group continued to consolidate the competitiveness of its products and recorded stable growth in the sales result. In 2015, the Group's contracted sales area and amount were 20.671 million sq.m. and RMB261.47 billion respectively, representing year-on-year increases of 14.3% and 20.7% respectively. In terms of the total sales of commodity housing in the PRC at an amount of RMB8.728 trillion, the Group accounted for 3.00% of the domestic market in 2015 (2014: 2.82%).

Among the residential units sold by the Group in 2015, over 93% were small to medium ordinary commodity residential units with floor area below 144 sq.m..

The Group insists on megalopolises-focused development strategy of focusing to develop around the urban area in the Mainland China. As of the end of 2015, the Group had presence at 66 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	5,557,628	26.93%	80,505.55	31.13%
Shanghai Region	5,413,524	26.22%	85,695.91	33.14%
Beijing Region	5,256,551	25.46%	57,869.72	22.38%
Chengdu Region	4,415,790	21.39%	34,521.88	13.35%
Total	**20,643,493**	**100.00%**	**258,593.06**	**100.00%**

Moreover, since 2013, the Group began to invest in overseas market with an orientation of "internationalization" in its development. As at the end of the Reporting Period, the Group already entered five cities overseas, namely San Francisco, Hong Kong, Singapore, New York and London. With respect to the sales results of the Group in 2015, the sales area attributable to overseas project amounted to 28,000 sq.m., and sales income of RMB2.88 billion was contributed.

In 2015, the recognised area of the Group's property projects were 17.046 million sq.m., an increase of 35.4% as compared with the end of 2014. Recognised revenue was RMB179.29 billion, an increase of 32.5%; the recognised gross profit margin of the property development business was 20.38% (2014: 21.43%).

As of the end of the reporting period, the Group had an area of 18.409 million sq.m. of resources sold but not yet booked with a total contract amount of about RMB215.05 billion, represented an increase of 10.2% and 10.5% respectively as compared with the end of 2014.

Property Services Business

The Group is engaged with property services through China Vanke Service Co., Ltd. ("**Vanke Service**"). At the end of 2015, the Group's property services had presence at 64 middle to large cities in Mainland China with 980 contracted service projects. GFA managed under service contracts amounted to 214.87 million sq.m., an increase of 107.8% as compared with the end of 2014. Of which, 143.47 million sq.m. were attributable to lump-sum projects, 46.07 million sq.m. were attributable to remuneration projects and 25.33 million sq.m. of management area were attributable to "RE Solution" system.

In 2015, the Group's property services business achieved revenue of RMB2.8 billion from its core businesses representing an increase of 49.4% as compared with the end of 2014. The gross profit margin of property services business segment was 18.44%, which was 4.39 percentage points higher than that in 2014. In 2015, under the circumstances of rapid expansion in operation scale and fast growth in labor cost, Vanke Service improved operational efficiencies through further reform in organizational structure and strengthening construction of IT infrastructure. A sustainable growth in business performance was thus ensured.

(2) Geographical segments

In 2015, the Group achieved revenue of RMB184.32 billion and net profit attributable to the shareholders was RMB18.12 billion. In terms of geographical region, the Shanghai region shared a higher proportion whilst the Chengdu region shared a lower proportion.

Analysis of revenue and profit of property development sector in terms of geographical regions

	Recognised area *(sq.m.)*	Proportion	Revenue *RMB'000*	Proportion	Net profit attributable to shareholders *RMB'000*	Proportion
Guangshen Region	3,967,990	23.28%	48,220,658	26.90%	5,461,586	32.71%
Shanghai Region	4,140,667	24.29%	55,331,387	30.85%	6,675,731	39.99%
Beijing Region	4,222,338	24.77%	41,356,486	23.07%	3,340,629	20.01%
Chengdu Region	4,715,359	27.66%	34,379,214	19.18%	1,216,799	7.29%
Total	**17,046,354**	**100.00%**	**179,287,745**	**100.00%**	**16,694,745**	**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, Kunshan, Yangzhou, Xuzhou, Hefei, Wuhu, Ningbo, Wenzhou, Nanchang; as to Beijing Region, there included Beijing, Tangshan, Qinhuangdao, Tianjin, Shenyang, Taiyuan, Jinzhong, Dalian, Anshan, Fushun, Jilin, 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

During the Reporting Period, the Group adhered to the policies of synchronous development with the municipalities. Through further development of existing cities the Group actively explored development opportunities such as industry upgrade and urban rail transit extension as well as redevelopment and renewal projects. At the same time, the Group focused on the life cycle of its customers, and constantly enrich and expand its products and services, so as to proactively seek to invest in new scope of the real estate sector.

Given the rising of land prices in the open market, the Group closely monitored the stock of the land market. By combining the needs of different partners, flexible and innovative new models of cooperation were development. Cooperation partners and models became more diversified. During the year, the Group strictly control the quality of investment. New projects were mostly secured at minimum floor price or low premium.

During the period, the Group added 105 new development regarding traditional business scope. Site area attributable to the Company's equity holding amounted to approximately 6.30 million sq.m. and planned a GFA attributable to the Company amounted to approximately 15.80 million sq.m.. The average GFA cost was approximately RMB4,941/sq.m.. Details on the new projects of the Group were set out as follows:

Unit: sq,m.

No.	City	Project name	Location	% of Shareholding	Site area	Planned GFA	GFA attributable to China Vanke's equity Shareholders	Progress
1	Shenzhen	No.68 Shennan Road	Luohu District	65.0%	12,841	129,990	84,493	Under Construction
2	Shenzhen	Chegongmiao Project	Futian District	90.0%	5,775	57,750	51,975	Preliminary
3	Shenzhen	Lanjiang Hillside Project	Futian District	50.0%	16,370	77,515	38,758	Under Construction
4	Shenzhen	Yayuan School Project	Longhua New District	100.0%	19,963	18,500	18,500	Preliminary
5	Shenzhen	North Railway Station Project	Longhua New District	49.0%	20,339	142,400	69,776	Preliminary
6	Dongguan	Humen Graden	Humen Town	94.0%	52,922	116,429	109,478	Under Construction
7	Dongguan	Cloud Plaza	Humen Town	77.9%	124,395	373,182	290,597	Preliminary
8	Dongguan	City Twilight Plaza	Humen Town	97.5%	29,391	136,422	133,039	Preliminary
9	Dongguan	Lakefront Garden	Liaobu Town	95.1%	21,593	47,055	44,768	Preliminary
10	Dongguan	Songlang garden	Dalang Town	97.0%	75,663	238,779	231,544	Preliminary
11	Dongguan	ZhuJiang Dongan	Machong Town	70.1%	303,695	542,650	380,289	Under Construction
12	Dongguan	Golden Paradise	Dalingshan Town	100.0%	29,692	74,229	74,229	Preliminary
13	Guangzhou	Lingtou Project	Luogang District	99.7%	192,923	373,634	372,438	Preliminary
14	Guangzhou	Golden City Project	Hunagpu District	90.0%	103,306	310,230	279,207	Preliminary
15	Guangzhou	Hengyuangang Project	Hunagpu District	100.0%	127,226	368,959	368,959	Preliminary
16	Guangzhou	Wenchong Project	Hunagpu District	100.0%	76,523	317,197	317,197	Preliminary
17	Foshan	Vanke Lake	Nanhai District	95.0%	5,112	12,781	12,141	Preliminary
18	Foshan	Golden City	Nanhai District	99.7%	70,248	210,744	210,070	Preliminary
19	Zhuhai	Dream Town	Xiangzhou District	46.7%	193,150	625,358	291,730	Under Construction
20	Xiamen	Yunxi Project	Huli District	100.0%	19,134	151,188	151,188	Under Construction
21	Xiamen	Zhaofengjin Project	Huli District	100.0%	5,609	18,827	18,827	Under Construction
22	Xiamen	Dongsen Project	Jimei District	90.0%	47,454	148,110	133,299	Under Construction
23	Xiamen	Hongqian Project	Jimei District	51.0%	50,159	136,041	69,381	Under Construction
24	Fuzhou	Yantai Hill Project	Cangshan District	100.0%	83,099	92,114	92,114	Preliminary
25	Fuzhou	Fuwan Project	Cangshan District	85.0%	53,923	69,400	58,990	Preliminary
26	Fuzhou	The Financial Harbour centre	Taijiang District	99.0%	41,761	104,700	103,622	Under Construction
27	Putian	Land Lot G, Dream Town	Licheng District	69.8%	78,420	256,600	179,184	Under Construction
28	Nanning	The Paradiso	Liangqing District	94.5%	71,599	214,796	202,982	Preliminary
29	Nanning	Southern District of Dream Town	Qingxiu District	97.8%	174,894	687,806	672,674	Under Construction
30	Nanning	Land Lot Dream Town	Qingxiu District	97.8%	180,169	720,676	704,821	Preliminary
31	Shanghai	Zhangjiang Guochuang Centre	Pudong New District	50.0%	63,143	99,035	49,518	Under Construction
32	Shanghai	Jin Yu Lan Wan	Pudong New District	26.0%	104,361	125,233	32,561	Preliminary
33	Shanghai	Anting New Town Project	Jiading District	80.0%	633,891	633,891	507,113	Under Construction
34	Shanghai	Tishman Speyer Project	Yangpu District	64.0%	106,000	180,250	115,360	Preliminary
35	Nantong	Park Avenue	Gangzha District	88.5%	65,009	156,170	138,148	Under Construction
36	Nantong	King Metropolis	Chongchuan District	100.0%	149,409	243,940	243,940	Preliminary
37	Nanjing	Puyue Mountain	Pukou District	60.0%	122,645	168,426	101,089	Under Construction
38	Nanjing	Feicui Park	Jiangning District	49.7%	94,624	262,200	130,366	Under Construction
39	Nanjing	Site south to Vanke Jiuduhui Project	Yuhuatai District	100.0%	42,401	108,934	108,934	Preliminary
40	Changshu	Gongwang Project	Cultural District, Changshu	36.3%	82,469	197,926	71,867	Under Construction
41	Suzhou	Huxi Emerald	Wuzhong District	57.0%	122,976	270,546	154,211	Preliminary
42	Wuxi	Runyuan	Nanchang District	88.3%	18,298	24,378	21,514	Under Construction
43	Wuxi	No. 4 Zhouxin Old Street Project	Binhu District	77.5%	51,822	145,091	112,431	Preliminary
44	Yangzhou	Golden Dream	Hanjiang District	70.0%	87,325	218,313	152,819	Under Construction

No.	City	Project name	Location	% of Shareholding	Site area	Planned GFA	GFA attributable to China Vanke's equity Shareholders	Progress
45	Hangzhou	Liangzhu Cultural Village Future City Phase 2	Yuhang District	99.0%	99,814	249,535	247,040	Under Construction
46	Hangzhou	Shijizhiguang	Xiaoshan District	32.0%	123,505	244,094	78,110	Under Construction
47	Hangzhou	Wenhui J Land Lot Project	Xiacheng District	99.0%	24,477	61,193	60,581	Preliminary
48	Hangzhou	Land Lot Peng port Project	Jianggan District	99.0%	59,413	95,061	94,110	Preliminary
49	Hangzhou	XingKong	Yuhang District	95.0%	21,760	43,520	41,344	Preliminary
50	Hangzhou	Hangchen	Yuhang District	98.0%	38,333	84,333	82,646	Preliminary
51	Hangzhou	Baolong South Land Lot Project	Xiaoshan District	33.0%	57,571	143,925	47,495	Preliminary
52	Hangzhou	Yuquan Phase 2	Xihu District	50.0%	17,407	27,851	13,926	Preliminary
53	Hangzhou	Land Lot, Future Sci-tech City Project	Yuhang District	33.3%	68,771	103,157	34,351	Preliminary
54	Jiaxing	Wuyue	Xiuzhou District	95.0%	26,457	39,685	37,701	Under Construction
55	Ningbo	Jiangwanfu	Yinzhou District	62.1%	38,907	97,266	60,402	Under Construction
56	Ningbo	Park Avenue Phase 2 Project	Gaoxin District	39.4%	30,995	68,181	26,836	Under Construction
57	Ningbo	Jiangwanfu Phase 2	Yinzhou District	100.0%	21,787	47,931	47,931	Preliminary
58	Ningbo	Zhonghe Project	Yinzhou District	92.0%	30,804	73,930	68,015	Under Construction
59	Wenzhou	City Twiliight	Lucheng District	31.0%	13,311	32,125	9,959	Preliminary
60	Wenzhou	7 Xueyuan Road	Lucheng District	69.0%	36,240	79,792	55,025	Preliminary
61	Wenzhou	Land Lot HongDian	Lucheng District	100.0%	24,017	96,068	96,068	Preliminary
62	Nanchang	Jinyu International	Economic and Technological Development Zone	67.6%	129,142	322,839	218,336	Under Construction
63	Nanchang	Park Avenue	Qingshan Lake District	46.7%	110,163	176,260	82,278	Under Construction
64	Beijing	Construction Dream Town	Yanqing District	20.0%	166,117	232,564	46,513	Under Construction
65	Beijing	Taihu 020 Project	Tongzhou District	33.0%	144,005	258,968	85,459	Preliminary
66	Beijing	Sihezhuang Project	Fengtai District	50.0%	27,500	120,000	60,000	Preliminary
67	Beijing	Daoxianghu Project	Haidian District	100.0%	20,680	62,041	62,041	Preliminary
68	Beijing	Mentougou Project	Mentougou District	50.0%	65,821	252,082	126,041	Preliminary
69	Beijing	Qijia North Project	Changping District	50.0%	255,088	430,900	215,450	Preliminary
70	Tangshan	King Metropolis A-02-02	Lubei District	46.1%	39,462	130,681	60,179	Under Construction
71	Tangshan	King Metropolis A	Lubei District	60.0%	5,217	9,900	5,940	Preliminary
72	Tianjin	Minhe Lane Project	Dongli District	86.6%	180,880	282,481	244,487	Under Construction
73	Tianjin	Dongdi Project	Xiqing District	41.9%	139,798	293,560	123,002	Preliminary
74	Tianjin	Tiantuo North Project	Nankai District	51.0%	40,068	139,099	70,940	Preliminary
75	Tianjin	Xiaowang Town Land Lot	Dongli District	25.0%	72,358	144,717	36,179	Preliminary
76	Shenyang	Zitai	Huanggu District	52.7%	67,720	199,883	105,329	Under Construction
77	Shenyang	City Twilight	Dadong District	97.6%	87,643	350,517	342,105	Preliminary
78	Dalian	Magnetic Head Factory Project on Zhongnan Road	Zhongshan District	95.0%	15,300	32,400	30,780	Preliminary
79	Dalian	King Metropolis	Ganjingzi District	87.0%	44,085	80,337	69,893	Under Construction
80	Dalian	Bolang Washing Machine Factory Project	Ganjingzi District	94.9%	10,993	22,000	20,871	Under Construction
81	Dalian	City Twilight	Ganjingzi District	98.0%	153,500	283,975	278,296	Preliminary
82	Qingdao	Utopia Phase 3	Chengyang District	56.8%	52,389	95,942	54,457	Preliminary
83	Qingdao	Land Lot B Shandong Road Project	Shibei District	70.0%	5,008	25,741	18,019	Preliminary
84	Qingdao	Hygain Chemical	Shibei District	100.0%	223,812	738,793	738,793	Preliminary
85	Jinan	King Metropolis	Lixia District	30.3%	103,870	315,565	95,616	Under Construction
86	Jinan	Joying Gold	Tianqiao District	49.0%	74,722	250,184	122,590	Under Construction
87	Jinan	Happiness Garden	Lixia District	100.0%	87,855	219,600	219,600	Under Construction

No.	City	Project name	Location	% of Shareholding	Site area	Planned GFA	GFA attributable to China Vanke's equity Shareholders	Progress
88	Taiyuan	Xinduxin	Xiaodian District	50.6%	26,433	79,298	40,093	Preliminary
89	Taiyuan	Land Lot E2, Dream Town	Xiaodian District	50.6%	47,645	116,500	58,902	Preliminary
90	Taiyuan	Land Lot N1, Dream Town	Xiaodian District	50.6%	88,628	274,745	138,911	Under Construction
91	Taiyuan	Land Lot N2, Dream Town	Xiaodian District	50.6%	187,504	545,600	275,855	Under Construction
92	Taiyuan	King Metropolis	Wanbailin District	87.5%	55,036	192,230	168,124	Under Construction
93	Taiyuan	Sijian Vanke Blue Mountain	Wanbailin District	55.0%	14,386	49,953	27,474	Preliminary
94	Taiyuan	Zijun	Wanbailin District	30.0%	72,496	201,486	60,446	Preliminary
95	Chengdu	Feicuijun	Xindu District	100.0%	65,858	118,564	118,564	Under Construction
96	Chengdu	Dream Town	Pi County	53.3%	167,375	560,963	298,769	Under Construction
97	Chengdu	Guobin Runyuan	Jinniu District	100.0%	34,187	97,432	97,432	Preliminary
98	Chengdu	No.5 City	Shuangliu County	100.0%	410,323	1,230,968	1,230,968	Preliminary
99	Xi'an	City Twilight	Qujiang New District	85.0%	100,340	311,377	264,671	Under Construction
100	Xi'an	Oriental Legend Project	Qujiang New District	42.5%	109,695	383,985	163,194	Under Construction
101	Zhengzhou	1# Land Lot Airport Area	Airport Area	51.0%	43,871	87,742	44,748	Preliminary
102	Zhengzhou	Vanke TianLun Zitai	Huiji District	48.1%	72,740	170,131	81,765	Preliminary
103	Zhengzhou	Rancho Santa Fe	Zhongmu District	50.0%	93,643	126,448	63,224	Preliminary
104	Zhengzhou	Vanke Meijing Dream Town(4、5)	High-tech District	51.0%	183,524	477,164	243,354	Preliminary
105	Guiyang	Yunyan Metropolis	Yunyan District	25.0%	49,054	318,234	79,559	Preliminary
	Total				**8,911,224**	**22,009,891**	**15,796,928**	

The aggregate of land premium and general redevelopment costs of the above projects attributable to the interests of the Company amounted to RMB77.7 billion.

As at the end of the Reporting Period to the Disclosure Date of this Report, the Group newly added 26 development projects. Area attributable to the interests of the Company amounted to approximately 1.35 million sq.m. (planned GFA of attributable interests amounted to approximately 2.81 million sq.m.) with details as follows:

No.	City	Project name	Location	% of shareholding	Site area (sq.m.)	Planned GFA	GFA attributable to China Vanke's equity Shareholders (sq.m.)	Progress
1	Guangzhou	Zhongxin Knowledge Town Land Lot	Huangpu District	16.3%	112,600	161,800	26,406	Preliminary
2	Xiamen	Northern District of Xiamen Airport Project	Huli District	90.0%	136,440	245,592	221,033	Preliminary
3	Xiamen	Wuyuan Bay Project	Huli District	100.0%	44,824	70,020	70,020	Preliminary
4	Shanghai	Project atop Xujing Subway Station	Qingpu District	50.0%	260,121	453,874	226,937	Preliminary
5	Shanghai	Oasis Yabinli Project	Jing'an District	60.0%	103,672	337,147	202,288	Under Construction
6	Suzhou	Yangshan Project	High-tech District	49.0%	167,206	234,059	114,689	Preliminary
7	Yangzhou	Dream Town West Project	Hanjiang District	100.0%	78,409	109,773	109,773	Preliminary
8	Yangzhou	Jiangwang Primary School Project	Hanjiang District	100.0%	46,927	79,850	79,850	Preliminary
9	Xuzhou	Commerce Technical Secondary School Project	Gulou District	100.0%	28,149	95,707	95,707	Preliminary
10	Hangzhou	Zhonghuan West Road Project	Economic and Technological Development Zone	100.0%	47,260	113,425	113,425	Preliminary
11	Hangzhou	Hangxing Road Phase 2 Project	Yuhang District	100.0%	33,648	67,296	67,296	Preliminary
12	Hangzhou	Huanglong International Center Project	Xihu District	51.0%	72,448	287,960	146,860	Under Construction
13	Hangzhou	Future City North Project	Yuhang District	100.0%	82,834	182,235	182,235	Preliminary
14	Ningbo	Gui Yu Dong Fang	Yinchou District	100.0%	69,774	139,548	139,548	Preliminary
15	Ningbo	Yiyun County Project	Yinchou District	51.0%	49,977	79,880	40,739	Preliminary
16	Ningbo	Dongqian Lake Project	Yinchou District	10.0%	141,377	211,457	21,146	Preliminary
17	Hefei	Hefei Exhibition Centre East Project	Binhuxin District	100.0%	85,254	218,014	218,014	Preliminary
18	Nanchang	Golden Paradise Binjiang	Qingshanhu District	20.0%	20,069	50,172	10,034	Preliminary
19	Nanchang	Legend on Midtown	Economic and Technological Development Zone	40.0%	87,065	174,506	69,802	Preliminary
20	Beijing	Beixiaoying Project	Chaoyang District	100.0%	9,800	51,894	51,894	Preliminary
21	Shenyang	Hongmei MSG Factory Project	Tiexi District	100.0%	54,257	168,199	168,199	Preliminary
22	Shenyang	Sun Yat-Sen Park Project	Heping District	50.0%	9,444	75,965	37,983	Preliminary
23	Changchun	Jinhe Street Project	Jingyue District	52.0%	181,283	199,411	103,694	Preliminary
24	Changchun	Huating Project	Jingyue District	51.0%	187,439	243,671	124,272	Preliminary
25	Zhenzhou	Zhenggangchu [2015] Land Lot 87	Airport Area	51.0%	20,331	40,662	20,738	Preliminary
26	Kunming	Yunzi Project	Gaoxin District	100.0%	37,450	147,375	147,375	Preliminary
	Total				**2,168,059**	**4,239,492**	**2,809,957**	

During the Reporting Period, the Group's planned floor areas of new starts were 21.27 million sq.m., an increase of 23.1% as compared with 2014, which was more than 16.81 million sq.m. that was planned at the beginning of the year. The area completed by the Group amounted to 17.29 million sq.m., which was 24.9% higher than 2014 actual completion area and more than 15.81 million sq.m. that was planned at the beginning of the year.

As of the end of 2015, the Group had 472 development projects in Mainland China. GFA attributable to Vanke's equity holding of the projects under construction amounted to approximately 31.47 million sq.m. and GFA attributable to Vanke's equity holding of the projects under planning amounted to approximately 39.76 million sq.m. in total. In addition, the Group also participated in 8 urban redevelopment projects. At present, the demolition and relevant procedures are still in progress. According to the present planning conditions, site area attributable to the Group's equity holding in the relevant projects amounted to approximately 0.67 million sq.m., and the planned gross floor area attributable to the Group's equity holding amounted to approximately 3.01 million sq.m..

Apart from the existing business, the Group had proactively sought for new businesses with competitiveness. During the Reporting Period, the Group acquired 8 logistics properties project. Planned GFA attributable to the Group's equity holding from the relevant projects amounted to 255,647 sq.m..

Unit: sq.m.

No.	City	Project name	Location	Shareholding	Site area	Planned GFA	GFA attributable to China Vanke's equity Shareholders	Progress
1	Guiyang	Longli logistics project	Longli County	50.0%	133,334	101,254	50,627	Under construction, those completed already leased
2	Wuhan	Yangluo logistics project	Xinzhou District	50.0%	149,167	76,085	38,043	Under construction
3	Shanghai	Shangfang logistics real estate project	Songjiang District	50.0%	66,670	41,722	20,861	Completed and leased
4	Shenyang	Yumai logistics project	Yuhong District	42.5%	51,711	41,369	17,582	Preliminary
5	Changsha	Wang Cheng Project	Economic and Technological Development Zone	40.0%	97,087	54,574	21,830	Under construction, those completed already leased
6	Chengdu	Airport Project	Shuangliu Country	50.0%	71,667	70,233	35,117	Under construction
7	Hangzhou	Flavours Factory	Da Jiangdong Industrial Cluster District	50.0%	100,000	100,000	50,000	Construction commenced
8	Beijing	Xijing Project	Daxing District	100.0%	26,666	21,587	21,587	Completed and leased
	Total				**696,302**	**506,824**	**255,647**	

Since the end of the Reporting Period to the Disclosure Date of this Report, the Group newly added 3 logistics properties projects with details as follows:

Unit: sq.m.

No.	City	Project name	Location	Shareholding	Site area	Planned GFA	GFA attributable to China Vanke's equity Shareholders	Progress
1	Ningbo	BeilunPort Project	Beilun District	50.0%	191,187	105,037	52,519	Completed and leased
2	Haining	Land lot A of Automobile Town Project	Chang'an Town	50.0%	98,000	59,000	29,500	Preliminary
3	Haining	Land lot B of Automobile Town Project	Chang'an Town	50.0%	53,867	35,261	17,631	Completed and leased
	Total				**343,054**	**199,298**	**99,650**	

During the Reporting Period, the Group continued to expand overseas business, and participated in three projects at No. 130 42nd Street, No. 275 Brooklyn, Nevins10 in Brooklyn, New York, one additional project in Tuen Mun in Hong Kong. In addition, through cooperation, the Group entered the UK market for the first time and participated in The Stage project and Soya asset package in London. Overseas operations facilitated the Group to learn management experience and business models from the developed countries and regions so as to further enhance the competitiveness of products and services.

ANALYSIS OF OPERATIONAL AND FINANCIAL CONDITION OF THE COMPANY

Return on equity

The Group persisted in segmented operation so as to enhance organizational effectiveness and improve operational efficiency. The return on equity on a fully diluted basis for 2015 was 18.09%, an increase of 0.23 percentage points as compared with 2014.

Net profit

In 2015, the Group achieved net profit of RMB25.95 billion, an increase of 34.5% as compared with the end of last year. Net profit attributable to the shareholders reached RMB18.12 billion, an increase of 15.1% as compared with last year. The growth of net profit attributable to the shareholders was slower than the net profit as the Group expanded its efforts in cooperation during the recent years. During the Reporting Period, a batch of projects with higher proportion of shareholding were booked. Hence, profit for the year attributable to the non-controlling interests increased from RMB3.54 billion in 2014 to RMB7.83 billion. Being impacted as such, the net profit margin including the profit or loss of minority shareholders in 2015 was 14.08%, slightly increase from 13.98% in 2014 but the net profit margin attributable to the shareholders of the Company in 2015 decreased as compared with 2014 from 11.41% to 9.83%. Due to the rise in the land premium to the proportion of selling price of residential units, the gross profit margin of the Group's property development business recognised in 2015 was 20.38%, a decrease of 1.05 percentage points as compared with 2014.

Asset impairment provision

As at the end of 2014, based on the prevailing market condition, the Group made asset impairment provision of RMB760 million on six projects with potential risks subsisting. During the Reporting Period, based on the latest market and sales condition, the Group condition impairment tests on all projects and conducted tracking evaluation on the projects that were made asset impairment provisions as at the end of 2014. According to the test result, the Group made reversal to the prior year inventory provision of RMB450 million. At the same time, during the Reporting Period, there were continuous adjustment in the price of housing and land in certain cities. Based on prudent financial strategies, the Group made asset impairment provision of RMB372 million on Stratford, Tangshan, Haiyuntai, Yantai and Southern Hillside, Urumqi with potential risks subsisting. The Group also added asset impairment provision of RMB68 million on two projects, being Southern District of Dream Town, Wuhu and Harbour City, Yingkou.

Unit: RMB'000

No.	City	Project	Balance of impairment provision at the beginning of the year	Balance of impairment provision at the end of the year
1	Tangshan	Stratford	83,068.70	58,986.82
2	Fushun	The Paradiso	87,170.77	–
3	Yantai	Haiyuntai	105,090.35	305,733.71
4	Urumqi	Golden Paradise	28,979.10	9,292.75
5	Urumqi	Southern Hillside	55,207.36	135,876.42
6	Wenzhou	Longwan Garden	404,229.33	176,126.95
7	Wuhu	Southern District of Dream Town	–	35,593.84
8	Yingkou	Harbour City	–	32,495.73
			763,745.61	754,106.22

After taking into account the effect on deferred taxation, the asset impairment provision made during the current year affected the net profit after tax during the Reporting Period by RMB330 million and the profit for the year attributable to the shareholders of the Company by RMB330 million.

As the real estate sector is entering into the silver age, the market in various cities became more diversified. The fluctuation in the price of housing and land became more frequent. The Group will place more emphasis on enhancing project quality and controlling investment risks in future.

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 in 2015 was RMB4.14 billion, accounting for 1.58% of the sales amount, representing a decline of 0.52 percentage point from that of the same period last year. Administrative expenses was RMB4.85 billion, accounting for 1.86% of the sales amount, an increase of 0.01 percentage point as compared with 2014.

Cash position

The Group placed considerable emphasis on cash management and the timely collection of sales receipts. During the Reporting Period, the collection ratio of sales receipt was over 90%. Through proactive sales and prudent investment, the Group achieved net cash from operations of RMB16.05 billion.

Under the premises of safe funds, the liquidity management was enhanced. Through the integration of investment and financing, the efficiency of capital was utilised . As at the end of the Reporting Period, the cash and cash equivalents including the pledged and restricted deposits held by the Group amounted to RMB53.18 billion.

As at the end of the Reporting Period, among the cash and cash equivalents held by the Group, Renminbi accounted for 95.25%, Hong Kong dollars accounted for 2.24%, Sterling pound accounted for 1.64%, US dollar accounted for 0.87%, and the remaining was in Singapore Dollars.

Interest-bearing borrowings

As of the end of 2015, the Group's total interest-bearing borrowings amounted to RMB79.49 billion. Within the interest-bearing borrowings of the Group, bank borrowings accounted for 44.82%, bonds payable accounted for 25.18% and other borrowings accounted for 30.00%.

Out of the interest bearing borrowings, fixed rate borrowings accounted for 25.18% and floating rate borrowings accounted for 74.82%. The Group has fixed-charge secured interest bearing borrowings of RMB1.61 billion, and accounted for 2.03% of total interest bearing borrowings.

As of the end of the Reporting Period, the bank loans and borrowings from financial institutions with maturity within one year was RMB26.65 billion, representing 33.52% of the total interest-bearing borrowings. The non-current bank loans and borrowings from financial institutions amounted to RMB52.84 billion, accounting for 66.48% of total interest-bearing borrowings.

As of the end of the Reporting Period, among the Group's total interest-bearing borrowings, 75.01% were domestic borrowings, and 24.99% were overseas borrowings. Meanwhile, among total interest-bearing borrowings 77.56% was denominated in Renminbi and 22.44% were denominated in foreign currencies. Liabilities denominated in foreign currencies increased by 5.68 percentage points from the end of 2014.

During the Reporting Period, the interest expenses capitalized amounted to RMB3.07 billion in total. Interest expenses not capitalized were RMB1.78 billion.

Gearing ratio

As of 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 42.94% (as at the end of 2014: 41.46%) to total assets. The net gearing ratio (interest-bearing liabilities less cash and cash equivalents, divided by net assets) of the Group was 19.30% (as at the end of 2014: 5.41%), which was still remained at the relatively lower level in the industry.

Financing and Rating

In order to further consolidate the funding competence, optimize the debt structure and reduce the finance costs, the Group completed the issue of corporate bonds with an amount of RMB5.0 billion under the authorization of the shareholders' general meeting. The bond issued in this term had a tenure of five year without guarantee. The issue price is RMB100 per note. The credit rate is AAA with a coupon rate of 3.5%. The sound reputation of the Group once again was realized in the capital market.

In November 2015, the Group completed the issue of tranche 1 and tranche 2 for the medium term note of RMB1.5 billion each with a tenure of five years. A total of RMB3.0 billion were issued and the issue rate was 3.78%.

During the Reporting Period, Standard & Poor's and Fitch Ratings continued to maintain BBB+ ratings for the Group's long-term credit rating and a stable rating for its outlook. In July 2015, Moody's upgraded the Group's credit rating from Baa2 to Baa1 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 RMB79.18 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 RMB68.77 billion. The Group has not suffered any material loss due to the aforesaid guarantees. The Group 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 2015, fluctuations in the exchange rates of Renminbi to Hong Kong dollars and to US dollars generated an exchange earnings of approximately RMB38 million for the Group.

During the recent years, the Group adhered to the internationalization strategy, and gradually expanded its overseas operation. With a view of "Consolidated Application of Global Resources", resources overseas were integrated proactively. The Group insisted in dynamic management over matching the assets/liabilities, term of liabilities, and the liquidity management overseas. Hedging were timely used to cover exchange rate risk. In 2014, the Group entered into non-deliverable forward ("**NDF**") contract to hedge a foreign currency loan of US$330 million. The adoption of NDF hedged against the corresponding foreign exchange movement in the profit or loss of the underlying loan contracts in the Reporting Period. During the Reporting Period, the change in the NDF value contributed RMB85.79 million to the Group's asset. 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

The Group remained to adhere to the principle of "Quality First", and continued to strengthen quality management which is centered on "exact survey with delivery appraisal and inspection guidance". During the Reporting Period, the Group measured actual satisfaction level increased from 92.6 to 98.0, satisfaction level on delivery to evaluation increased from 73.9 to 79.5 and the satisfaction level on quality increased from 58 to 67.

Improving product competitiveness

During the Reporting Period, the Group proposed the value system featuring three goods – "Good Housing", "Good Services" and "Good Community" to push forward sustainable upgrade of products and services, obtaining favorable market feedback. Meanwhile, the Group placed itself in the position of customers' viewpoint and highlighted "saving money for customers", improving product suitability in many aspects such as planning, design, supporting services and delivery on basis of deep analysis on customers' demands, providing them with products and services with better cost performance.

Transforming to an integrated urban property service provider

In the Silver Age of real estate industry, profound changes are happening to the industry and new chances are also emerging constantly. During the Reporting Period, the Group adhered to the concept of "Brave Pathfinder" and "Definite Transition", and enriched product and service systems constantly by centering on being an "urban ancillary service provider". The Group delegated full authority to all regional and front tier companies, encouraging them to explore new businesses according to local urban development direction; meanwhile, through resource supports and internal sharing mechanism, the Group facilitated rapid promotion of successful experience of excellent projects. During the Reporting Period, the "Octopus", "V-LINK" and other strategic concepts were put forward one after another. New business exploration in respect of long-lease apartments, camping education in the community, nursing institutions for the aged and industrial real estates was also carried out in an orderly manner.

At present, the Group has preliminarily set up the product system dominated by "V POST HOUSE" and supported by "V Pie" and "Bed Apartment" in the field of long-lease apartments. The Group has opened more than 1,000 units of long-leased apartments and another 20,000 units are under preparation for opening.

For the children's education that concerns a lot of customers, the Group is actively trying overall arrangement to provide owners with one-stop high-quality quality- oriented education platform from four dimensions – community camp, outdoor camp, urban camp and systematic education, and to cultivate children's interests in outdoor sports as well as interpersonal communication and team work abilities through urban and outdoor camps.

The exploration of new businesses contributes to enhance product competitiveness of the Group's core business and customer stickiness, and to provide broader space for the Group's future growth.

Making breakthrough in logistic properties

In 2015, the Group established Vanke Logistics Real Estate Development Group Limited, a breakthrough from zero to one in the field of logistic property, covering the full process of businesses including project acquisition, development & construction and asset management.

The Group's defined the development strategy of "focusing on major customers and key cities, and emphasizing high-standard warehouse products" for logistic properties. By leveraging on the investment experiences of Vanke accumulated throughout all these years in the real estate sector, the real estate logistics segment lined up with investment teams of various cities. The Group hence achieved rapid growth through strategic cooperation and merger & acquisition, initially shaping the network layout based on core city agglomeration. At the same time, companies using the centralized purchasing resources of the Group to complete the initial team structure construction. Standardized products were preliminarily confirmed. In cooperation with the experienced developers teams at various cities, the Group is able to provide products with shorter construction period, reasonable cost and enriched competitiveness. While maximizing their own advantages, talents were introduced to the real estate logistics sector. Customer resources were proactively explored, and extensive contacts were established with electricity supplier, high-end manufacturing, modern wholesale and retail industry, third-party logistics operator, courier delivery and other industry leading companies. Business processes and organizational mechanisms with customer orientation were initially established. By capitalizing on its own advantages, information management, infrastructure, and other aspects of the industry chain were explored to provide customers with value-added services, and enhanced customer loyalty.

Continuously exploring overseas businesses

Adhering to internationalization as the development direction in the long run, the Group brought in mature products and services abroad by investing in overseas markets and learning diversified business mode in mature overseas markets, and also established its reputation in overseas markets by connecting customer resources home and abroad. In carrying out specific businesses, the Group was inclined to select core districts in core cities with long-term investment value, and to establish strategic cooperation with internationally reputable real estate enterprises, financial institutions and agencies.

During the Reporting Period, the Group had three new projects in New York located respectively at No. 130, West 42nd Street, No. 275, 4th Avenue Brooklyn and Nevins 10 Brooklyn; one additional project in Hong Kong was located in Tuen Mun. In addition, the Group for the first time entered into Britain market on a partnership basis to participate in The Stage project and Soya asset package project located in London.

Innovative property services

A house may be one of the most important assets of the client. Vanke Service has always been convinced that the nature of property management is about taking care of the building, and always providing first-class services to the property owners. Property fee is the basic recognition of property owners for the property service quality. During the Reporting Period, the current service fee collection rate of Vanke Service residential property project reached 96.14 percent. The Company's quality of service highly recognized by property owners.

During the period, Vanke Service upgraded the service model, with the "RE Solution" system enhancing from version 1.0 to 2.0, from the "record of information regarding people and things" to "linking the activities between people and things". Vanke Service continued to promote the construction of information technology, property management to explore new technologies and methods to reduce intermediate links monitoring and management costs, improve operational efficiency housing project, to ensure the steady growth in gross residential property. At the same time, Vanke Service to fully tap the business model of assets and service, property assets and service in 2015 profit up 87%, the contribution to profits of 22% over last year to enhance the six points. Vanke Service on the basis of good property management, based on the study of the stock market business model for sustainable growth in the overall business performance and lay a solid foundation.

In 2015, Vanke Service began to actively expand residential and commercial property market write. In the residential market, according to market demand, provide a variety of modes of cooperation, the company has equity cooperation mode in the core region of 11 property companies to carry out equity cooperation; there are fully authorized cooperation model, in 2015 signed a total of 40 residential projects; also We have to upgrade technology, professional services, on-site hosting services as the core elements of the property comprehensive settlement "RE Solution" system mode of cooperation programs. By the end of 2015, Vanke Service based on the "RE solution" system of property services expanded 377 non-Vanke developed projects in 42 cities. In the commercial office market, Vanke Service in Beijing, Shenzhen, Shanghai, Hangzhou and other places, a total of 21 newly acquired commercial office project service contracts to provide property services and facility services for well-known corporate. Vanke Service core cities will establish itself in China serving China's urban development.

During the Reporting Period, Vanke Service held its 25th Anniversary and launched the new logo. The new service mark of Vanke Service was also adopted. Vanke Service ranked the first in "2015 Top 100 China Property Management Enterprises" elected by China Property Management Association and topped the list of Property Management Brands as mentioned in the Research Report on 2015 Top 500 Real Estate Developers in China At the First China Property Management Innovation and Development Forum in China Vanke Service won the overall strength of the top 100 enterprises;and in the 2015 Top 500 Real Estate Enterprises in China with preference rate of 11% among nominated brands.

Continuous financial innovation

One of the Group's transformation directions was from a developer of property available for sale to one who manages a diversified asset portfolio to achieve value improvement. "Financialization" played an important role in facilitating such transformation. During the Reporting Period, the Group actively carried out financial innovation to accumulate experience for enhancing asset management ability. Penghua-Qianhai-Vanke REITs, which was established for investing in Vanke's Enterprise Dream Park in Qianhai, became the first REITs listed in China. The introduction of the relevant financial products helped the Group fully utilize its inventory resources and enhance the efficiency of capital utilization.

Green building, industrialization and technological innovation

"Green" and "low carbon" represent the global development tendency, and are also the operation philosophy to which the Group has always adhered. In 2015, the Group completed 14.065 million sq.m. of green building area, a 60% growth from the year before.

The Group followed the principle of "enhancing quality, increasing efficiency, and reducing reliance on workers", providing high-quality products to customers by large-scale, intensified and industrial production. In 2015, the proportion of industrial application of area in the project newly commenced by the Group reached 81%. Among the Group's mainstream products, for which the construction was newly commenced, the application of precast components, fabricated interior walls, and interior and external walls without plaster reached 39%, 100% and 100% respectively.

To adapt to rapid development of property services in the future, the Group carried out researches in robot technologies for the sake of reducing labor and reliance on workers, taking into account demands in various fields of urban ancillary services and current technological maturity. The Group's researches were mainly focused on building business, property operation, hotel business, service for the aged and home service. The Group gave specific definitions to the demand for each category of robot, and cooperated with different colleges and universities, research and development institutions and enterprises according to such demand to conduct research & development and testing of prototypes. By now, prototypes of the patrol robot, outdoor cleaning robot, unmanned access system and automatic settlement system of restaurant have been produced and now are under testing of stability.

Business partnership and organizational structure optimization

The business partnership mechanism is helpful to arouse creativeness and enthusiasm for work of operation management team, providing management support for transformation. During the Reporting Period, the Group continued to deepen the construction of partnership mechanism and encouraged to build the organizational structure featuring task-oriented business partnership, reducing tier division, breaking inter-department and disciplinary barriers and strengthening business collaboration.

To accelerate business innovation and transformation, the Group adjusted the organizational system – transforming the original Strategic Investment Department in headquarters to the Business Development Department – and quickened preparation for business units for various new businesses so as to take a substantial step forward in transformation. To give full play to the capability for independent innovation of the front line and improve rapid response ability of the organization, the Group set up a Regional Leader Joint Council in order to delegate more authorities to regions in making decisions on operation management. It also improved organizational effect of the front line by polling the wisdom and efforts of everyone/7UP and other intervening management instruments as well as a series of training named Beehive Action.

In the first half of 2014, the Group brought about the co-investment system which directly linked operating results of projects with the interests of employees. During the Reporting Period, the Group continued to expand the scale of co-invested projects, having totally 76 projects available for co-investment all year round. The Group continued to strengthen the standardization of co-investment system, pushed forward scheme improvement and improved post-investment monitoring. Based on these, it also implemented accountability system so as to push forward upgrade of operating efficiency. After more than one year's practice, the co-investment system performs well in terms of shortening project opening cycle, improving subscription ratio upon opening and enhancing project profitability.

During the Reporting Period, Vanke Service deepening organizational change, full implementation of partner mechanism. It has establish expansion of 13 core cities and completed the setup of organizational structure of 49 management centers as well as the implementation of relevant operating systems. Residential project realized professional management operations for the establishment of a rapid business expansion and effective organizational guarantee system security. Meanwhile, the proposal by the Board of Directors Vanke Service market development and agreed to start the additional 10% stake in Vanke Service business partner mechanism to stimulate the vitality of staff, sharing a common future, in order to attract more talented people to join the push Vanke Service the market expansion. As of the date of this report, allocation of additional equity and change in relevant industrial and commercial registration have been completed.

Share repurchase

In view of sharp fluctuation of A-share market, the Board of Directors of the Group proposed on 6 July 2015 the repurchase of the Company's A shares within the limit of RMB10 billion for the purpose of stabilizing market confidence and protecting investors' interests. In the meanwhile, the scheme for repurchase of Vanke's A shares at a price no more than RMB13.2/share within RMB10 billion was deliberated and approved at the 2015 First Extraordinary General Meeting, the First General Meeting of Shareholders of A Shares and the First General Meeting of Shareholders of H Shares held on 31 August 2015. The Report on Repurchase of the Company's A Shares within RMB10 Billion was announced by the Company on 17 September 2015 and the repurchase was first implemented by the Company on 18 September 2015. Afterwards, the repurchases were carried out according to the authorization of Extraordinary General Meeting.

As of the closing date, the number of A shares repurchased by the Company reached 12,480,299, accounting for 0.113% of the Company's total. The highest price was RMB13.16/share and the lowest one was RMB12.57/share. The payment totaled to RMB0.16 Billion, including the transaction cost. The requirements of the Group's scheme for repurchase of A shares were satisfied.

Material asset restructuring

Since the second half of 2015, in view of the fierce land resource competition, repeatedly rising land prices and more difficulties in land requisition, cooperation has become more important, urgent and practical. In the meanwhile, in order to accelerate business transformation, the Group not only put more efforts into the exploration of new businesses, but also studied the possibility of further upgrading its layout of product lines and enhancing asset management capacity by means of merger, especially capacity in terms of management and operation of new businesses.

In order to prepare the material asset restructuring, an application for suspending the trade of the Company's A shares was made at 13:00 on 18 December 2015. The Group planned to acquire a number of assets and/or companies at home and abroad. If all implementations are fully successful, this was expected to help promote the Group's market position in terms of real estate core business, new business and overseas business and upgrade the Group's layout of product lines.

During the suspension, the Group actively promoted the progress of the material asset restructuring and timely fulfilled the obligations of information disclosure.

Social responsibilities

The Group persistently adhered to its values and concepts. We proactively 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 refer to the 2015 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

In the short term, the market segmentation will continue. Most areas of China are still under great de-stocking pressure. In view of substantial rise in trading volume in 2015, the main cities rank top in terms of de-stocking and some of them are even under pressure of insufficient stock and rise of housing price. The Group will continue active selling and smartly respond to market changes. In the long term, the Silver Age will inevitably come. The Group will persist in its positioning of integrated urban property service provider, continuously promote product and service upgrading with customers as the focus, and further develop new business.

In 2016, the Group will focus on value creation and capacity enhancement, further deepening the partnership mechanism and promoting the business transformation.

The quality is a line that cannot be crossed. In 2016, the Group will carry out "Skynet Action" by implementing the sampling inspection mechanism for products of 78 categories of 42 companies based on the existing quality control system. In the meanwhile, the Group will continue the industrialization, generalize the fast-construction & fast-installation method, enlarge the application range of insertion construction & management, and improve the construction efficiency.

The Group will persist in the development strategy of integrated urban property service provider and accelerate business innovation based on consolidating the core business. For the core business, the Group will fully implement the "three-good" product solution and provide the most competitive products and services by following the principle of "saving every penny for customers". For new business, the Group will further specify the annual operation & management requirements and assessment system for property, logistics and overseas business. In the meanwhile, other new businesses will be developed and carried out on a trial basis.

As the Group's transformation is further implemented, the customer groups will be more diversified. It is necessary for the Group to expand business based on Internet to guarantee interconnection between business and customers. Based on the integration of customer resources, the value chain and ecosphere will be established among the business lines. In view of this, the Group starts the "Fertile Soil" plan. In the future, a unified information platform will be established by following the information-based strategy, laying a solid foundation for the high-efficiency coordination among multiple businesses. In the meanwhile, the business process will be restructured to establish a clear, standard, convenient and unified management model.

In 2016, the Group will stick to the goal of continuous return and growth based on cash flow, accelerate payment collection and enhance inventory management. In the meanwhile, the Group will continue to strengthen the cash flow management, integrate financial resources, improve investment efficiency by means of financing innovation, try financial instruments, including asset securitization, and facilitate business transformation by means of financial transformation.

The Group will keep investment risks under strict control, develop projects in areas with mature urban functions, supporting facilities and population support, and guarantee layout of key cities in advance, laying a solid foundation for the development of more new businesses in the future. Based on cooperation and innovation, the Group will give full play to its professional capacity and brand & reputation advantages, and actively seek strategic cooperation opportunities. In the meanwhile, the Group will promote the construction of investment group and enhancement of professional capacity in an orderly manner, further improve professional training and reserve of talents, and establish the assessment & incentive mechanism based on asset management capacity.

The Group will adhere to the internationalization strategy, further develop cooperation with institutional investors, promote the diversification of overseas business, and guarantee a more balanced global asset allocation by means of overseas investment.

In the field of logistics real estate, the Group devotes itself to developing into an industry-leading logistics real estate service provider highly praised by customers. Moreover, the Group will guarantee investment distribution based on customers' demands, develop diversified channel resources, accelerate merger and strategic cooperation, explore differentiated value-added services, and strive to being the industry benchmark in terms of products, works, leasing efficiency, etc.

In the field of property services, the Group will take professional property management measures to preserve and increase the value of house property. Based on the construction of an open platform, a high-level transparent commercial cooperation mechanism providing equal opportunities for all will be promoted. The Group will develop the residential building & commercial office building market by means of merger, smart services and carte blanche, guaranteeing the rapid growth of external market; and further deepen organizational reform, focus on improvement in organization efficiency, perfect business partnership system and create property service ecosystem.

The Group will establish the promotion mechanism for strategy implementation in combination with the new business development demands and promote the optimization of governance structure and decision-making system, including improving the co-investment system, covering more businesses and enhancing the responsibilities of core management team.

In terms of the Company's existing projects, the floor area of new starts and area to be completed in 2016 are expected to reach 22.00 million sq.m. and 20.65 million sq.m. respectively, the former slightly higher than that completed in 2015 and the latter representing an increase of 19.4% from the actual scale completed in 2015.

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. The Group also strictly complied to the code provisions of Corporate Governance Code, Appendix 14 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The directors, supervisors and senior management officers also strictly complied with "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 of the "Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited". The directors, supervisors, senior management officers and employees of the Group strictly complied with the "Insider Information and Informer Management System" and "Rules for the Trading of Securities by Employees" formulated by the Group. The Group strictly control and prevent insider information. During the Reporting Period, the Group did not have informer with insider information conducting the illegal trading securities of the Company.

The Group actively carry out special corporate governance activities. As implementation of the "basic norms of internal control" and related guidelines focus on pilot companies, the Group continued to promote the "essence of internal control" to improve the internal control standards. The Group listed on the Stock Exchange of Hong Kong Limited after combining Hong Kong rules, and further improve corporate governance and internal controls. The Group was established in 2015 approved by the Board Information Disclosure Committee, strengthen information disclosure management, improve the transparency of the Group.

The Group will continue to follow the principle of "professionalism + standardization + transparency", and constantly improve corporate governance standards.

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 Group'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 2015, there were 42,295 employees on the Company's payroll, representing an increase of 4.1% from that of the previous year. The average age of the employees was 30.3 of which 31,071 were male and 11,229 female.

Among the entire workforce, there were 6,388 employees engaged in the property development division, representing an decrease of 10.6% from the previous year. The average age of the staff working for this division was 32.7 and the average year of service was 4.5; in terms of education level, 0.2% held doctoral degree, 19.4% with master's degree, 68.9% with bachelor's degree, 9.3% with tertiary education and 2.2% with education below tertiary level. Employees with bachelor's degree or higher education accounted for 88.6% of the total staff in the property development division. The composition of employees in the property development division by job classification is as follows: 857 marketing and sales staff, accounting for 13.4%, down by 14.2% from the previous year; 3,736 professional technicians, accounting for 58.5%, down by 11.1% from the previous year; among the professional technicians, 1,952 were construction staff, accounting for 52.2%, 722 were designers, accounting for 19.3% and 346 were cost management staff, accounting for 9.3%; 231 were procurement staff, accounting for 6.2%; there were 458 project development staff, accounting for 13.0%. 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 1,790, accounting for 28.0%, down by 7.9% from the previous year.

There were 34,309 employees engaged in property management, up by 10.9% from the previous year. The average age was 29.8 and the average year of service was 2.2. In terms of education level, 0.3% held master's degree, 11.1% with bachelor's degree, 20.8% with tertiary education, 67.8% with education below tertiary level and 11.4% with bachelor's degree or higher education. Employees with tertiary education or higher education accounted for 32.2% of the total staff in the property management division.

There were 829 employees engaged in the commercial services division, up by 16.9% from the previous year. The average age was 30.8 and the average year of service was 1.9. In terms of education level, 0.2% held doctor's degree, 11.3% held master's degree, 53.7% with bachelor's degree, 23.0% with tertiary education and 11.7% with education below tertiary level. Employees with tertiary education or higher education accounted for 88.3% of the total staff in the commercial services division.

There were 515 employees engaged in the hotel division, down by 49.5% from the previous year. The average age was 32.3 and the average year of service was 2.3. In terms of education level, 1.4% held master's degree, 15.7% with bachelor's degree, 19.6% with tertiary education and 63.3% with education below tertiary level. Employees with tertiary education or higher education accounted for 36.7% of the total staff in the commercial services division.

There were 259 employees engaged in the other division, down by 69.5% from the previous year. The average age was 29.5 and the average year of service was 2.1. In terms of education level, 0.4% held doctor's degree, 11.2% held master's degree, 67.6% with bachelor's degree, 13.5% with tertiary education and 7.3% with education below tertiary level. Employees with tertiary education or higher education accounted for 92.7% of the total staff.

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. The remuneration of directors and supervisors not employed by the Group were determined by the shareholder's general meeting.

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

On 31 August 2015, the Group's 2015 first extraordinary shareholders meeting and the first A Shares Class Meeting, the first H Shares Class Meeting considered and adopted the "Resolution regarding the Proposal to Repurchase the A Share of the Company within the Limit of RMB10 Billion". According to the resolution of shareholders, the repurchase of the Group's total, from 18 September 2015 to 31 December 2015, was 12,480,299 A shares and a total amount of RMB160 million (including transaction costs)were paid. The highest price of repurchase was RMB13.16/share, and the lowest was RMB12.57/share. The shares repurchased were cancelled in January 2016.

In addition, during the Reporting Period, the Group's subsidiary listing on the Stock Exchange of Hong Kong Limited, Vanke Property (Overseas) Limited, conducted rights issue on the basis of 2 shares held for 1 rights share. The subscription issue price was HK$8.04/share, and 129,842,644 rights shares were issued. Net proceeds from rights issue amounted to HK$1.0322 billion.

Save as the above, during the Reporting Period, 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 2015.

V DIVIDEND PAYMENT

The Board recommended the declaration of final dividend RMB0.72 per share (tax included, subject to the approval in the annual general meeting of the Company 2015 by the shareholders) to the holders of the Company's shares registered on the specified date.

VI AUDIT COMMITTEE REVIEW ANNUAL RESULT

The annual results of the Group for the year ended 31 December 2015 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, 11 March 2016

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*