



China Vanke Co., Ltd.

2014 First Quarterly Report

§1 Important Notice

1.1 The Board, the Supervisory Committee, Directors, members of the Supervisory Committee and senior management of the Company warrant that in respect of the information contained in this Quarterly Report, there are no misrepresentations or misleading statements, or material omission, and individually and collectively accept full responsibility for the authenticity, accuracy and completeness of the information contained in this Quarterly Report.

1.2 None of the Directors, members of the Supervisory Committee and senior management fails to assure or disputes with the authenticity, accuracy and completeness of the contents of this Quarterly Report.

1.3 Deputy Chairman Qiao Shibo and Director Wei Bin were not able to attend the board meeting in person due to their business engagements and had authorised Director Chen Ying to represent them and vote on behalf of them.

1.4 This quarterly financial report of China Vanke Co., Ltd. (the "Company") and its subsidiaries (the "Group") was in accordance with the International Financial Reporting Standards ("IFRSs") and has not been audited. The significant accounting policies adopted in preparing the following financial information are consistent in all material respects with those adopted by the Group for the year ended 31 December 2013.

1.5 The Company's Chairman Wang Shi, Director and President Yu Liang, and Director, Executive Vice President and Supervisor of Finance Wang Wenjin declare that the financial report contained in this Quarterly Report is warranted to be true and complete.

§2 Basic Corporate Information

2.1 Major accounting data and financial guidance

(Unit: RMB'000)

	As at 31 March 2014	As at 31 December 2013	Changes (%)
Total assets	495,386,717	479,474,818	3.32%
Equity attributable to equity shareholders of the Company	73,543,696	76,895,983	-4.36%
Share capital (Unit: share)	11,014,968.919	11,014,968.919	-
Net assets per share attributable to equity shareholders of the Company (Unit: RMB)	6.68	6.98	-4.36%

	January to March 2014	January to March 2013	Changes (%)
Revenue	9,007,858	13,195,692	-31.74%
Profit attributable to equity shareholders of the Company	1,529,479	1,613,904	-5.23%
Net cash generated from operating activities	(5,579,131)	(2,383,261)	-134.10%
Net cash generated from operating activities per share (Unit: RMB)	(0.51)	(0.22)	-134.10%
Basic earnings per share (Unit: RMB)	0.139	0.147	-5.13%
Diluted earnings per share (Unit: RMB)	0.139	0.147	-5.13%
Return on equity	1.97%	2.49%	Decreased by 0.52 percentage point

Note: The net assets used to calculate the above net assets per share and return on equity refers to the equity attributable to equity shareholders of the Company, while the net profit used to calculate the earnings per share refers to the profit attributable to equity shareholders of the Company.

2.2 Total number of shareholders and shareholdings of the top 10 shareholders of non-restricted tradable shares as at the end of the reporting period

As at the end of 31 March 2014, the total number of shareholders of the Company was 736,625 (including 718,506 holders of A shares and 18,119 holders of B shares).

Total number of shareholders as at the end of the reporting period					736,625	
Shareholdings of the top 10 shareholders						
Name of shareholder	Classification of shareholder	Percentage of shareholdings	Total number of shares held	Number of restricted shares held	Number of pledged or lock-up shares	
China Resources Co., Limited (“CRC”)	State-owned legal person	14.94%	1,645,494,720	0	0	
Liu Yuansheng	Others	1.21%	133,791,208	0	0	
HTHK/CMG FSGUFP – CMG FIRST STATE CHINA GROWTH FD	Foreign shareholder	1.01%	111,756,974	0	0	
103 Portfolio of National Social Security Fund, PRC	Others	0.96%	105,992,742	0	0	
China Minsheng Bank – Yinhua Shenzhen 100 Index Classified Securities Investment Fund	Others	0.87%	95,413,407	0	0	
China Construction Bank – Boseru Theme Industry Stock Securities Investment Fund	Others	0.82%	89,999,092	0	0	
China Life Insurance Company Limited – Dividend Distribution – Individual Dividend-005L–FH002 Shen	Others	0.75%	83,091,653	0	0	
China Pacific Life Insurance Co., Ltd. – Dividend Distribution – Individual Dividend	Others	0.75%	82,131,639	0	0	
CSOP Asset Management Limited – CSOP FTSE China A50 ETF	Others	0.73%	80,646,229	0	0	
ICBC – Rongtong Shenzhen Stock Exchange 100 Index Securities Investment Fund	Others	0.68%	74,504,134	0	0	
Remarks on strategic investor or ordinary legal person becoming top 10 shareholders after placing of new shares	Nil					
Shareholdings of the top 10 holders of non-restricted shares						
Name of shareholder	Number of non-restricted shares held		Class of shares			
China Resources Co., Limited (“CRC”)	1,645,494,720		Ordinary RMB-denominated shares (A shares)			
Liu Yuansheng	133,791,208		Ordinary RMB-denominated shares (A shares)			
HTHK/CMG FSGUFP – CMG FIRST STATE CHINA GROWTH FD	111,756,974		Domestic listed foreign shares (B shares)			

103 Portfolio of National Social Security Fund, PRC	105,992,742	Ordinary RMB-denominated shares (A shares)
China Minsheng Bank – Yinhua Shenzhen 100 Index Classified Securities Investment Fund	95,413,407	Ordinary RMB-denominated shares (A shares)
China Construction Bank – Bosera Theme Industry Stock Securities Investment Fund	89,999,092	Ordinary RMB-denominated shares (A shares)
China Life Insurance Company Limited – Dividend Distribution – Individual Dividend-005L–FH002 Shen	83,091,653	Ordinary RMB-denominated shares (A shares)
China Pacific Life Insurance Co., Ltd. – Dividend Distribution – Individual Dividend	82,131,639	Ordinary RMB-denominated shares (A shares)
CSOP Asset Management Limited – CSOP FTSE China A50 ETF	80,646,229	Ordinary RMB-denominated shares (A shares)
ICBC – Rongtong Shenzhen Stock Exchange 100 Index Securities Investment Fund	74,504,134	Ordinary RMB-denominated shares (A shares)
Remarks on the connected relationship or action in concert of the aforementioned shareholders	It is not known as to whether there are connections or persons deemed to be acting in concert under “the Measures for the Administration of the Takeover of Listed Companies” among the above-mentioned shareholders.	
Remarks on shareholders involved in securities margin trading	Nil	

As at the end of 31 March 2014, the total number of shares of the Company was 11,014,968,919, including 9,700,013,451 A shares and 1,314,955,468 B shares.

§3 Management Discussion and Analysis

During the reporting period, the sales area of commodity housing in China decreased by 5.7% year-on-year. One of the main reasons was that commodity housing sales rebounded significantly in 2013, leading to a relatively higher comparative figure for 2014. When compared with the same period of 2012, the sales area of commodity housing in China in the first quarter of 2014 increased by 33.2%.

In early 2013, the growth rate of housing sales in 14 major cities, namely Beijing, Shanghai, Shenzhen, Guangzhou, Tianjin, Shenyang, Hangzhou, Nanjing, Chengdu, Wuhan, Dongguan, Foshan, Wuxi and Suzhou, was higher than the national growth rate. During the reporting period, housing sales in these cities declined considerably when compared with the same period of 2013. The sales area of residential properties in the 14 cities in the first quarter of 2014 saw a year-on-year drop of 27.5%, while the sales area of commodity housing to approved pre-sales area of new housing ratio was 1.0. The new supply and sales were basically balanced. As at the end of March, inventory of saleable new homes (those that have obtained sales permit but have not yet been sold) in the above-mentioned 14 cities was 122 million sq m, which was basically the same as that at the end of 2013.

During the reporting period, the site area supplied and sold in 16 major cities (Shenzhen, Guangzhou, Dongguan, Foshan, Shanghai, Hangzhou, Nanjing, Suzhou, Ningbo, Beijing, Tianjin, Shenyang, Dalian, Chengdu, Wuhan and Chongqing) where statistics are accessible by the public decreased by 1.5% and 5.9% respectively, on a year-on-year basis. The land sales in major cities have slowed down after entering March. Although the average land transaction price remained at a high level, the proportion of land lots changed hands at a premium decreased when compared to the peak in the third quarter of last year.

During the reporting period, the Company continued to implement its mainstream positioning and proactive sales strategy. In the first quarter, the Company achieved an accumulated sales area of 4,150,000 sq m, with a sales amount of RMB54.23 billion, representing year-on-year increases of 11.7% and 24.2% respectively. Among the commodity housing units sold, homes smaller than 144 sq

m took up 93.8%.

In Guangshen region, the Company realized a sales area of 1,077,000 sq m and sales amount of RMB14.98 billion. In Shanghai region, the Company realized a sales area of 1,329,000 sq m and sales amount of RMB19.29 billion. In Beijing region, the Company realized a sales area of 925,000 sq m and a sales amount of RMB12.49 billion. In Chengdu region, the Company realized a sales area of 819,000 sq m and sales amount of RMB7.46 billion.

There is a certain seasonal trend for project completion and recognition in the property industry. A majority of the projects are completed and recognised in the second half of the year, especially in the fourth quarter. Since the amount of project completion and booked area in the first quarter accounted for a relatively small proportion of the full year's total, which led to a relatively large year-on-year change, the booked items for the first quarter were insignificant reference for the outlook for the full-year operating results. In the first quarter of 2014, the Company's completed area amounted to 984,000, accounting for only 6.6% of the planned area to be completed for the full year, which was lower than that of previous years. Affected by this, the Company realized a booked area and booked revenue of 727,000 sq m and RMB8.58 billion respectively for the first quarter, representing year-on-year decreases of 41.1% and 31.6% respectively. Meanwhile, the Company realized revenue and net profit of RMB9.01 billion and RMB1.53 billion respectively, representing year-on-year decreases of 31.7% and 5.2% respectively. The Company expected that the area to be completed for the full year of 2014 will basically meet the target set at the beginning of the year, while the operating results are expected to continue to grow steadily in 2014.

During the reporting period, the Company's net profit margin increased significantly, mainly attributable to the following reasons: 1) Booked gross profit margin of the Company's property business rose by 3.59 percentage points from that of the corresponding period of last year to 31.99% of the reporting period due to a higher percentage of booked revenue contribution from cities with high profit margin such as Shanghai and Shenzhen in the first quarter. 2) The Company realized other net income of RMB537 million in the reporting period, increased by RMB518 million when compared with the corresponding period last year, which was mainly contributable from income from collaborative projects through equity transfer and income from disposal of commercial properties through equity transfer; 3) The share of profit from the Company's associates and joint ventures amounted to be RMB236 million, increased by approximately RMB201 million from that in the corresponding period last year. The Company is actively exploring and promoting light asset operational model. The scope of cooperation will be broadened in future, and associates and joint ventures will account for a greater percentage in the Company's overall operation. The Company will also be involved in more activities of introducing partners by disposing certain equity interests in a project, and engaging in the operation of investment properties disposed of through equity transfer. With light asset operational model, the Company, under normal conditions, still engages in the management and operation of development projects or investment properties, despite certain equity interests in these projects or investment properties being disposed of by the Company or the fact that Company has only a relatively small percentage of shareholding in certain joint-venture projects or investment properties. As such, the Company can receive a certain amount of management fee, or request a share of profit higher than its shareholding percentage. Such arrangement is beneficial for the Company to increase its return on equity.

As at the end of the reporting period, the Company had an area of 17,105,000 sq m sold but not yet booked stated in the consolidated statements as construction had yet to be completed. This area and its

corresponding contract amount of approximately RMB195.57 billion represented increases of 19.0% and 20.5% respectively when compared with those at the beginning of the year.

During the reporting period, the Company acquired 8 new development projects, with a site area attributable to Vanke's equity holding of approximately 462,000 sq m, representing a planned GFA of approximately 1,348,000 sq m, and an average land premium basing on floor area of approximately RMB4,535 per sq m. The Company will continue to pursue prudent land acquisition strategy. While persevering with strict control of investment risks, the Company will make proper land bank replenishment according to actual development needs.

In the first quarter, the Company achieved a floor area of housing starts of 4,200,000 sq m, accounting for 18.8% of the full year plan for housing starts. As the floor area of housing starts will gradually increase, the Company expects that its floor area of housing starts for the full year will be higher than that set at the beginning of the year.

As at the end of the reporting period, the Company's net gearing ratio was 40.9%, while the cash and cash equivalents including the pledged deposit held by the Company amounted to RMB37.53 billion, which was more than the sum of short-term borrowings and long-term borrowings due within one year of RMB27.91 billion. The Company had a sound and solid financial position.

§4 Significant Events

4.1 Significant changes and reasons for such changes in major items of the accounting statements and financial guidance of the Company

√Applicable □Not applicable

Items	31 March 2014 (RMB'000)	31 December 2013 (RMB'000)	Change (+/-)	Reasons for change
Trade and other receivables	81,681,629	68,218,739	19.73%	Expansion of operating scale
Interest in joint ventures	8,107,327	6,897,969	17.53%	Increase of joint-venture projects.
Non-current loans and borrowings	43,772,083	36,683,128	19.32%	Fluctuation of financing structure

Items	January-March 2014 (RMB'000)	January-March 2013 (RMB'000)	Change (+/-)	Reasons for change
Revenue	9,007,858	13,195,692	-31.74%	Decrease in booked sales
Cost of sales	5,704,523	8,807,186	-35.23%	Decrease in booked sales
Income tax	818,520	1,122,964	-27.11%	Decrease in taxable profits
Share of profits less losses of associates	246,802	(4,564)	5507.58%	Increase in booked sales of associates
Profit attributable to equity shareholders of the Company	1,529,479	1,613,904	-5.23%	Decrease in booked sales

4.2 Progress of significant events and analysis of their impact and solutions

√Applicable □Not applicable

1. A-Share Stock Option Incentive Scheme

On 8 April 2011, the first extraordinary general meeting of the Company passed the Company's A-Share Stock Option Incentive Scheme (Revised Draft) and related matters. Implementation of the Company's A-Share Stock Option Incentive Scheme ("Scheme") thus commenced. On 9 May 2011, the registration of the grant of stock options was completed. The Company granted 108,435,000

stock options to 810 beneficiaries. The abbreviation of the stock options is Vanke JLC1, while the stock option code is 037015.

The initial exercise price of the stock options was RMB8.89. The Company implemented the proposal on dividend distribution for the year 2010 on 27 May 2011, and distributed a cash dividend of RMB1.0 (including tax) to all shareholders for every 10 existing shares held. In accordance with the relevant regulations and the resolutions passed at the shareholders meeting, the Board made an adjustment to the exercise price of the stock options to RMB8.79. The Company implemented the proposal on dividend distribution for the year 2011 on 5 July 2012, and distributed a cash dividend of RMB1.3 (including tax) to all shareholders for every 10 existing shares held. The Company made an adjustment to the exercise price according to the provisions. The adjusted exercise price was RMB8.66. The Company implemented the proposal on dividend distribution for the year 2012 on 16 May 2013, and distributed a cash dividend of RMB1.8 (including tax) to all shareholders for every 10 existing shares held. The Company made a further adjustment to the exercise price according to the provisions. The adjusted exercise price was RMB8.48.

On 12 July 2012, the first exercise period of the Scheme commenced. The beneficiaries of the Scheme could exercise 40% of their options during the exercisable period between 12 July 2012 and 24 April 2014. On 29 May 2013, the second exercise period of the Scheme commenced. The beneficiaries of the Scheme could exercise 30% of their options between 29 May 2013 and 24 April 2015.

During the reporting period, no options were exercised. Since certain beneficiaries became members of the Supervisory Committee or left the Company, the total number of stock options granted but not yet exercised decreased to 68,426,799 at the end of the reporting period.

The introduction of the Scheme complements the Company's incentive instruments with a long-term plan, while establishing a check-and-balance mechanism between shareholders and professional management team through linking up their interests. The Scheme will further improve the Company's corporate governance structure and strengthen the Company's competitiveness.

2. Change of Listing Location of Domestically Listed Foreign Shares ("B shares") of the Company and Listing & Trading on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK") by Way of Introduction

On 19 January 2013, the Company announced the Proposal ("Proposal") for Change of Listing Location of Domestically Listed Foreign Shares of China Vanke Co., Ltd. and Listing & Trading on the Main Board of The Stock Exchange of Hong Kong Limited by Way of Introduction. On 4 February, the Proposal was passed at the first extraordinary general meeting in 2013. On 7 February, the Company received a confirmation letter regarding the processing of the application for administrative licence from China Securities Regulatory Commission. The Company also received a confirmation letter from the SEHK on 15 February. The Company received the "Reply regarding approval of China Vanke Co., Ltd's listing on the main board of The Stock Exchange of Hong Kong Limited" issued by China Securities Regulatory Commission on 3 March 2014 (Zhengjian Xu Ke [2014] No. 239). China Securities Regulatory Commission approved the Company's conversion of its B shares to overseas listed foreign shares for listing on the main board of The Stock Exchange of Hong Kong Limited. The application is currently in progress.

The change of listing location of the Company's B shares to SEHK is conducive to enhancing the Company's global visibility, and enables the Company to leverage global resources and markets to reinforce the Company's core competitiveness.

4.2.1 Qualified opinion

Applicable Not applicable

4.2.2 The signing and implementation of major contracts for daily operation

Applicable Not applicable

4.2.3 Others

Applicable Not applicable

4.3 Implementation of the undertakings given by the Company, shareholders and beneficial controllers

Applicable Not applicable

Undertaking	Party who makes the undertaking	Description	Implementation
Other undertakings	China Resources National Corporation ("CRNC")	CRNC – the parent company of CRC, being the Company's original single largest shareholder and the present single largest shareholder, gave a significant undertaking to the Company in 2001: CRNC would provide as much support to the Company as it did in the past, as long as such support was beneficial to the Company's development, and that it would remain impartial, including but not limited to, in the event of reviewing investment projects that may lead to competition between CRNC's subsidiaries and the Company, and in the event of any disagreements or disputes arising from horizontal competition.	CRNC has fulfilled its undertakings

4.4 Warning of and explanation for the accumulated net profit from the beginning of the year to the end of the next reporting period forecast to be a probable loss or to be significantly differed from that of the corresponding period of the previous year

Applicable Not applicable

4.5 Other major events and their explanations

4.5.1 Securities investments

Applicable Not applicable

4.5.2 Equity interests held in other listed companies

Applicable Not applicable

(Unit: RMB)

Stock code	Stock abbreviation	Initial investment amount	Percentage of shareholdings	Book value as at the end of the period	Gains/(losses) during the reporting period	Changes in equity attributable to equity shareholders during the reporting period
600751	Tianjin Marine Shipping	143,600.00	0.02%	1,281,000.00	-	(15,750.00)
3698.HK	Huishang Bank	2,499,147,576.48	8.00%	2,425,768,966.24	-	(34,494,901.69)
Total	-	2,499,291,176.48		2,427,049,966.24	-	(34,510,651.69)

4.5.3 Investor relations activities such as meetings, communications and visits during the reporting period

Type of activities	Time	Location	Approach	Parties met	Issues discussed and information provided
Barclays meeting	2014.1	Hong Kong	Face to Face	Investors including securities funds, etc	(I) Major issues discussed: (1) The Company's daily operations; (2)The Company's development strategies; (3)The Company's opinion on the changes in the industry. (II) Major information provided: Published information including the
Credit Suisse meeting	2014.1	Hong Kong	Face to Face	Investors including securities funds, etc	
BNP meeting	2014.1	Hong Kong	Face to Face	Investors including securities funds, etc	
Nomura Securities meeting	2014.1	Hong Kong	Face to Face	Investors including securities funds, etc	
UBS meeting	2014.1	Shanghai	Face to Face	Investors including securities funds, etc	
Deutsche Bank meeting	2014.1	Beijing	Face to Face	Investors including securities funds, etc	
Annual results presentation	2014.3	Hong Kong, Shenzhen (Shanghai, Beijing)	Face to Face	Investors including securities funds, individual investors, etc	
CLSA meeting	2014.3	Hong Kong	Face to Face	Investors including securities funds, etc	
Credit Suisse meeting	2014.3	Hong Kong	Face to Face	Investors including securities funds, etc	
Standard Chartered meeting	2014.3	Hong Kong	Face to Face	Investors including securities funds, etc	
GF Securities meeting	2014.3	Guangzhou	Face to Face	Investors including securities funds, etc	
Guotai Junan meeting	2014.3	Shanghai	Face to Face	Investors including securities funds, etc	
Citi meeting	2014.3	Hong Kong	Face to Face	Investors including securities funds, etc	
Credit Suisse meeting	2014.3	Hong Kong	Face to Face	Investors including securities funds, etc	
Note: The above-mentioned meetings included one-on-one meetings, small group meetings and large group presentation. The Company received or met with investors from over 50 companies.					

Securities companies	During the reporting period	Shenzhen, Dongguan, Guangzhou, Foshan, Xiamen, Changsha, Sanya, Shanghai, Hangzhou, Nanjing, Wuxi, Xuzhou, Nanchang, Hefei, Wuhu, Beijing, Tangshan, Jinan, Wuhan, Chengdu, Chongqing, etc.	Small group or one-on-one	Guotai Junan, SWS, First Capital Securities, China Securities, Citi, China Galaxy Securities, Credit Suisse, Goldman Sachs, Gaohua, UBS Securities, Orient Securities, Deutsche Bank, Haitong Securities, GF Securities, BNP, Kim Eng Securities, Changjiang Securities, Macquarie, China International Capital Corporation Limited, Minsheng Securities, Standard Chartered Bank, CLSA, Ping An Securities, BOCI, etc.	Company's regular reports.
Funds and other investment companies and individual investors	During the reporting period	Shenzhen, Dongguan, Guangzhou, Foshan, Xiamen, Changsha, Sanya, Shanghai, Hangzhou, Nanjing, Wuxi, Xuzhou, Nanchang, Hefei, Wuhu, Beijing, Tangshan, Jinan, Wuhan, Chengdu, Chongqing, etc.	Small group or one-on-one	China International Fund Management Co., Ltd., Morgan Stanley Huaxin Funds, Bosera Funds, Penghua Fund, Greenwoods Asset Management, China AMC, Taikang AMC, China Life, Zhonghai Fund, HSBC Jintrust, Fortune SG Fund, China Merchants Fund, HuaAn Funds, Rongtong Fund, Dacheng Fund, China Southern Asset Management, E Fund, China Pacific Insurance, Harvest Fund, China Universal Asset Management, Huatai-PineBridge Fund, Fullgoal Fund, Chongyang, UBS SDIC Asset Management, New China Asset Management, Yinhuafund, CCB Principal Asset Management, Shinhan Investment Corp., Wanjia Asset, First State Investments, Och Ziff, William Blair, Bank of Singapore, BOC Asset Management, Lion Global Investors Limited, Muzinich & Co, Pinebridge Investments, Wellington, BEA Union, UOB AM, Fidelity, UBS AG, GMO, Balyasny, Alliance Bernstein, T Rowe Pric, GIC Private Limited, ING, Kingdon Capital Mgmt Corp, APG Asset Management, Discovery Fund, Macquarie Capital, Capital World, Goldman Sachs Asset Management, Lynas Capital Ltd, Blackrock Inv, Vontobel, Cohen and Steers, Equitas, Constellation, BNY Mellon ARX, Jupiter Asset Management, Kriya Capital, Perpetual Funds Management, Alphinity Investment Management, Argo Investments Sydney, Arnhem Investment Management, GE Asset Management, etc.	

4.5.4 Other major events and their explanations

Applicable Not applicable

- (1) The Company did not provide any funds for use by its controlling shareholder and its related parties, nor did the Company provide any guarantee to third parties in violation of regulations and procedures.
- (2) Authority granted by the annual general meeting in respect of continued cooperation with China Resources
- The resolutions approved at the 2012 annual general meeting on 20 March 2013 authorized the Board to decide on the continuous cooperation with China Resources. The validity of the granted authority was adjusted to two years, while the aggregate authorized amount was adjusted to not more than RMB12.7 billion per year (i.e. not more than 20% of the audited net assets value of the Company as at the end of 2012). During the reporting period, no new cooperation had been implemented.
- After the reporting period, in order to satisfy the development needs of Dongguan Changan Vanke Centre Project, the Company had applied for a trust loan of RMB750 million with China Resources SZITIC Trust Co., Ltd. for a term of two years, with a fixed rate of 7.482% per annum. The cost of the trust loan was determined with reference to the prevailing market price level and the characteristics of the project, and the annual interest rate of the loan shall not be higher than the cost of trust loans obtained by the Company from an independent third party during the same period. The trust loan can help support the development of Dongguan Changan Vanke Centre Project and improve the operation efficiency of the project. All the independent directors unanimously

approved of the loan. They were of the opinion that the loan and relevant decision-making procedures were in compliance with the relevant requirements of the Company Law, Securities Law, the Rules Governing Listing of Stocks on the Shenzhen Stock Exchange, and the Articles of Association of the Company, and were in the interests of the Company and its shareholders as a whole, and did not prejudice the interests of the Company and other shareholders.

(3) Establishment of internal control

In 2013, the Company continued to adopt a pragmatic internal control approach to establish internal control process.

4.6 Investment in derivatives

Applicable Not applicable

Remarks on risk analysis and management of derivative positions during the reporting period (including but not limited to market risk, liquidity risk, credit risk, operational risk and legal risk, etc)	In order to limit the risk associated with the fluctuations of interest rate, the Company entered into an interest rate swap (“IRS”) agreement to hedge floating rate foreign currency loan. The Company would charge the counterparty an interest according to a floating rate, in order to pay the floating-rate interest to the original lender, while paying a fixed rate to the counterparty. In terms of the time limit and amount of the foreign currency loan, IRS limits the risk of fluctuations of interest rate through fixed forward rate.
Change in market price or fair value of the derivatives invested during the reporting period, as well as the method, related assumptions and parameters used to analyze the fair value of derivatives should be disclosed	The effect of the change in the IRS value on the Company’s profit and loss during the reporting period amounted to RMB (572,697.83). The value of the IRS was determined based on the fair value assessed on 31 March 2014.
Remarks on whether there has been a material change in the accounting policy and accounting measurement principles for the Company’s derivatives during the reporting period as compared with those of the previous reporting period	Nil
Special advice on derivative investment and risk control by independent directors, sponsors and financial advisors	The Company’s independent directors are of the view that financial instruments such as IRS prevent the possible loss associated with foreign currency loan in the event of significant fluctuations in interest rate. The relevant arrangement of the Company has been prudent and reasonable.

4.6.1 Derivative positions as at the end of the reporting period

Applicable Not applicable

(Unit: RMB)

Type of contracts	Contract amount as at the beginning of the period	Contract amount as at the end of the period	Profit/(loss) during the reporting period	Contract amount as at the end of the period as a percentage of the Company’s net assets as at the end of the reporting period
Interest rate swap (IRS) agreement	1,828,155,465.00	1,844,707,185.00	(572,697.83)	1.81%
Total	1,828,155,465.00	1,844,707,185.00	(572,697.83)	1.81%

Consolidated statement of profit or loss
for the three months ended 31 March 2014

(Expressed in Renminbi Yuan)

	2014 <i>Jan.–Mar.</i> RMB'000	2013 <i>Jan.–Mar.</i> RMB'000
Revenue	9,007,858	13,195,692
Cost of sales	(5,704,523)	(8,807,186)
Gross profit	<u>3,303,335</u>	<u>4,388,506</u>
Other revenue	77,153	157,093
Other net income	536,924	18,804
Distribution costs	(710,555)	(623,399)
Administrative expenses	(681,143)	(589,614)
Other operating expenses	(52,555)	(29,625)
Profit from operations	<u>2,473,159</u>	<u>3,321,765</u>
Finance costs	(252,494)	(444,480)
Share of profits less losses of associates	246,802	(4,564)
Share of profits less losses of joint ventures	(10,617)	39,612
Profit before taxation	<u>2,456,850</u>	<u>2,912,333</u>
Income tax	(818,520)	(1,122,964)
Profit for the period	<u>1,638,330</u>	<u>1,789,369</u>
Attributable to:		
Equity shareholders of the Company	1,529,479	1,613,904
Non-controlling interests	108,851	175,465
Profit for the period	<u>1,638,330</u>	<u>1,789,369</u>
Basic earnings per share (RMB)	<u>0.14</u>	<u>0.15</u>

**Consolidated statement of profit or loss and other
comprehensive income for the three months ended
31 March 2014**

(Expressed in Renminbi Yuan)

	<i>2014</i>	<i>2013</i>
	<i>Jan.–Mar.</i>	<i>Jan.–Mar.</i>
	RMB'000	RMB'000
Profit for the period	<u>1,638,330</u>	<u>1,789,369</u>
Other comprehensive income (after tax and reclassification adjustments)		
Exchange differences on translation of financial statements of overseas subsidiaries	(76,228)	(4,709)
Available-for-sale securities: net movement in the fair value reserve	<u>(56,259)</u>	<u>-</u>
	<u>(132,487)</u>	<u>(4,709)</u>
Total comprehensive income for the period	<u><u>1,505,843</u></u>	<u><u>1,784,660</u></u>
Attributable to:		
Equity shareholders of the Company	1,396,992	1,609,195
Non-controlling interests	<u>108,851</u>	<u>175,465</u>
Total comprehensive income for the period	<u><u>1,505,843</u></u>	<u><u>1,784,660</u></u>

Consolidated statement of financial position

at 31 March 2014

(Expressed in Renminbi Yuan)

	31 Mar. 2014	31 Dec. 2013
	RMB'000	RMB'000
Non-current assets		
Property, plant and equipment	3,495,400	3,475,223
Investment properties	5,673,694	6,366,655
Intangible assets	321,695	263,487
Interest in associates	3,950,757	3,633,457
Interest in joint ventures	8,107,327	6,897,969
Other financial assets	2,560,230	2,572,246
Other non-current assets	9,648,797	10,424,440
Deferred tax assets	3,596,650	3,525,262
	<u>37,354,550</u>	<u>37,158,739</u>
Current assets		
Inventories	338,824,720	329,731,930
Trade and other receivables	81,681,629	68,218,739
Pledged deposits	1,134,686	1,361,261
Cash and cash equivalents	36,391,132	43,004,149
	<u>458,032,167</u>	<u>442,316,079</u>
Current liabilities		
Loans and borrowings	27,907,709	32,624,307
Financial derivatives	10,336	11,687
Trade and other payables	305,541,768	287,930,076
Current taxation	7,892,087	8,355,764
	<u>341,351,900</u>	<u>328,921,834</u>
Net current assets	<u>116,680,267</u>	<u>113,394,245</u>
Total assets less current liabilities	<u>154,034,817</u>	<u>150,552,984</u>

Consolidated statement of financial position

at 31 March 2014 (continued)

(Expressed in Renminbi Yuan)

	31 Mar. 2014	31 Dec. 2013
	RMB'000	RMB'000
Non-current liabilities		
Loans and borrowings	43,772,083	36,683,128
Bonds payable	7,469,032	7,398,392
Deferred tax liabilities	931,567	942,209
Provisions	63,005	46,877
Other non-current liabilities	48,158	42,955
	<u>52,283,845</u>	<u>45,113,561</u>
NET ASSETS	<u>101,750,972</u>	<u>105,439,423</u>
CAPITAL AND RESERVES		
Share capital	11,014,969	11,014,969
Reserves	<u>62,528,727</u>	<u>65,881,014</u>
Total equity attributable to equity shareholders of the Company	73,543,696	76,895,983
Non-controlling interests	<u>28,207,276</u>	<u>28,543,440</u>
TOTAL EQUITY	<u>101,750,972</u>	<u>105,439,423</u>

Consolidated cash flow statement

for the three months ended 31 March 2014

(Expressed in Renminbi Yuan)

	2014	2013
	Jan.–Mar.	Jan.–Mar.
	RMB'000	RMB'000
Cash received from sales of products	29,064,102	32,818,691
Other cash received from business operating activities	4,224,908	7,224,739
Cash generated from operating activities	<u>33,289,010</u>	<u>40,043,430</u>
Cash paid for purchasing of merchandise and services	(24,901,832)	(32,088,269)
Cash paid to employees or paid for employees	(1,666,216)	(1,628,003)
Cash paid for tax	(6,160,984)	(6,140,089)
Other cash paid for business operating activities	(6,139,108)	(2,570,330)
Cash used in operating activities	<u>(38,868,140)</u>	<u>(42,426,691)</u>
Net cash used in operating activities	<u>(5,579,130)</u>	<u>(2,383,261)</u>
Proceeds from sales of investments	4,570	31,983
Dividends received	11	78,400
Proceeds from disposal of property, plant and equipment	51	656
Proceeds from disposal of interest in subsidiaries	752,408	-
Proceeds from other investment activities	471,727	157,507
Cash generated from investing activities	<u>1,228,767</u>	<u>268,546</u>
Acquisitions of property, plant and equipment and construction in progress	(52,253)	(24,459)
Acquisitions of interest in associates, joint ventures and other investments	(1,029,217)	(121,260)
Acquisitions of subsidiaries, net of cash acquired	(483,676)	(825,065)
Other cash paid for investing activities	(865,218)	-
Cash used in investing activities	<u>(2,430,364)</u>	<u>(970,784)</u>
Net cash used in investing activities	<u>(1,201,597)</u>	<u>(702,238)</u>

Consolidated cash flow statement

for the three months ended 31 March 2014 (continued)

(Expressed in Renminbi Yuan)

	2014	2013
	Jan.–Mar.	Jan.–Mar.
	RMB'000	RMB'000
Capital injections from non-controlling interests of subsidiaries	437,772	347,700
Proceeds from loans and borrowings	16,585,767	11,116,574
Proceeds from issue of corporate bonds	-	4,944,738
Cash received from other financing activities	-	85,053
Cash generated from financing activities	<u>17,023,539</u>	<u>16,494,065</u>
Repayment of loans and borrowings	(14,321,855)	(11,872,320)
Dividend paid to equity shareholders of the Company and Interest paid	(2,559,400)	(1,687,259)
Cash used in financing activities	<u>(16,881,255)</u>	<u>(13,559,579)</u>
Net cash generated from financing activities	<u>142,284</u>	<u>2,934,486</u>
Effect of foreign exchange rates	25,426	(8,339)
Net decrease in cash and cash equivalents	(6,613,017)	(159,352)
Cash and cash equivalents at 1 January	<u>43,004,149</u>	<u>51,120,224</u>
Cash and cash equivalents at 31 March	<u>36,391,132</u>	<u>50,960,872</u>