

VANKE'S 2019 REVENUE AND NET PROFIT ACHIEVED STEADY GROWTH YOY CONTINUOUSLY IMPROVE CORPORATE HEALTH AND IMMUNITY

17 March 2020 - China Vanke Co., Ltd. ("Vanke" or the "Company", together with its subsidiaries "the Group", stock code: 2202) announced that its revenue for the year ended 31 December 2019 (the "Year") amounted to RMB367.89 billion, with profit for the year attributable to equity shareholders of the Company reaching RMB38.87 billion, representing year-on-year increases of 23.8% and 15.1% respectively. Basic earnings per share amounted to RMB3.47, representing a year-on-year increase of 13.3%. Return on equity on a fully diluted basis was 20.67%.

According to the dividend distribution proposal disclosed on the same day, the total amount of cash dividends proposed for distribution for 2019 will be RMB11.81 billion (inclusive of tax). Based on the total number of shares of the Company as at the end of 2019, a cash dividend of RMB10.45 (inclusive of tax) will be distributed for every 10 shares. As of 2019, Vanke has continued to pay cash dividends for 28 years, with an average annual dividend distribution of more than RMB10 billion in the past three years.

In the face of the novel coronavirus pneumonia epidemic, Vanke immediately set up an epidemic-response task force with the chairman of the board as the team head and all members of the Group's management team as team members. Throughout the nation, Vanke's various operations are doing their best to protect the "last mile" and safeguard the operations of residential communities, office buildings, shopping malls and long-term rental apartments. Vanke Service issued 53 work guidelines for managing the epidemic, in order to strengthen standardized epidemic prevention actions and innovative caring services, safeguarding more than 2663 residential projects and 3.19 million households, helping more than 10,000 companies to resume operation and production. On the frontline of Wuhan, Vanke offered services to a total of 61 residential communities, 5 shopping malls, 4 logistics parks, and 4 rental apartments, covering more than 120,000 households and more than 300,000 residents. The above project teams stayed on their duties during the epidemic, to ensure customers' maintenance of a normal life and the supply of daily necessities.

Realise positive operating cash flow for 11 consecutive years

Maintain industry-leading credit rating

In 2019, Vanke achieved a net cash inflow from operations of RMB45.69 billion, realizing positive operating cash flow for 11 consecutive years. As at the end of 2019, the cash and cash equivalents held by the Group amounted to RMB166.19

billion, which was much higher than the sum of short-term borrowings and interest-bearing liabilities due within one year of RMB93.89 billion. As at the end of 2019, the Group's net gearing ratio (interest-bearing liabilities less cash and cash equivalents divided by net assets) was 33.9%, which was at a low level in the industry.

A healthy financial position and cash position allows Vanke to continue to maintain industry-leading credit rating. S&P and Fitch maintained "BBB+" credit rating for the Group, while Moody's maintained a "Baa1" credit rating for the Group, with a "stable" rating outlook from each of the aforesaid credit rating agencies. China Chengxin Securities Rating Co., Ltd., a domestic rating agency, maintained the Group's credit rating as AAA, with stable rating outlook.

Rental & development businesses work hand-in-hand

Consolidate the advantages of development and rental housing business

When divided by business segment, the operating revenue derived from the property development and related businesses amounted to RMB352.65 billion, accounting for 95.9% of the Group's revenue; the revenue derived from property services amounted to RMB12.70 billion, accounting for 3.5% of the Group's revenue.

In 2019, Vanke's property development business continued to consolidate its competitiveness. In 2019, the Group realized a sales area and sales amount of 41.12 million sq m and RMB630.84 billion respectively, representing year-on-year increases of 1.8% and 3.9% respectively.

Commodity housing is the main product of the Group's property development business. Among the products sold by the Group in 2019, residential, retail and office properties, and other ancillary facilities accounted for 86.4%, 10.0% and 3.6% respectively. The Group continued to persist with the positioning of providing residential products for self-occupation demand of mainstream customers, with medium and small housing units under 144 sq m accounting for 91.2% of total residential products. The Group ranked first in 21 cities and ranked second in 12 cities in terms of sales amount.

There were increases in the Group's booked revenue and sold but not yet booked amount. The Group's booked area and booked revenue for property development business amounted to 24.60 million sq m and RMB334.04 billion, representing year-on-year increases of 12.3% and 22.1% respectively. As at the end of the Reporting Period, the area sold but not completed for recognition amounted to 42.89 million sq m in the Group's consolidated financial statements, with a contract amount of approximately RMB609.10 billion, representing increases of 15.6% and 14.8% respectively, as compared to those at the end of the previous year.

In 2019, the floor area of new construction projects developed by the Group amounted to approximately 42.41 million sq m, representing a year-on-year

decrease of 15.1% and represented 118% of that planned at the beginning of the year. The completed floor area of development projects amounted to approximately 30.08 million sq m, representing an increase of 9.1% year-on-year, and represented 98% of the area planned at the beginning of the year.

The Group continued its prudent approach of investment. In 2019, the Group acquired 147 new projects with a planned gross floor area (“GFA”) of 37.17 million sq m and planned GFA attributable to the Company’s equity holding of 24.78 million sq m. The total land premium attributable to the Group’s equity holding amounted to approximately RMB154.96 billion. In terms of equity investment amount, 79.9% were situated in the first-and second-tier cities.

As at the end of 2019, the total GFA of the Group’s projects under construction was approximately 102.56 million sq m, of which the GFA attributable to Vanke’s equity holding was approximately 61.70 million sq m; the total GFA of projects under planning was approximately 53.94 million sq m, of which the GFA attributable to Vanke’s equity holding was approximately 33.60 million sq m. In addition, the Group also participated in certain urban renewal projects, of which the aggregate GFA attributable to equity holding of the Company was approximately 4.93 million sq m according to current planning.

In 2020, new construction area of the existing projects of the Group is expected to be 29.21 million sq m. It is estimated that the area to be completed in 2020 will be 33.19 million sq m.

For rental housing, the Group mainly operates long-term youth apartments (“Port Apartment”) as its major product line and adheres to its strategy of development surrounding core cities, and actively improved its operation and service quality. As at the end of 2019, the rental housing business had an additional 56,000 units in operation. As at the end of the Reporting Period, the Group had an aggregate of 110,000 units in operation. The average occupancy rate of mature projects (in operation for half a year or above) was 90%.

Scale and reputation of property services forge ahead

Logistic business is becoming a market leader

In 2019, the Group followed positioning of a “city and town developer and service provider”, and adhered to the strategy of “grow in tandem with cities and customers”. The business groups and business units continued to enhance operation quality.

As one of the Group’s core businesses, the mission of the Group’s property services business is to “enable more users to experience the beauty of property services”.

This business segment continues to adhere to the development strategy of “simultaneous development of the residential and commercial sectors”, improving service quality and expanding its market share. During the Reporting Period, Vanke Service reported revenue of RMB12.70 billion, representing a year-on-year increase of 29.7%. The accumulated contracted area was 640 million sq m, representing a year-on-year increase of 26.1%. The annual full income (referring to the property service fee income for a full year as agreed under the project contract) of new expansion projects was RMB5.41 billion, representing a year-on-year increase of 33.13%. Vanke Service was named “Top 1 in China’s Top 100 Comprehensive Property Services Enterprises” for ten consecutive years, ranked first place in “The Most Preferred Property Services Brand of China’s Top 500 Property Developers” for six consecutive years.

In 2019, Vanke Service and Cushman & Wakefield established a joint venture leveraging each other’s niches in commercial property and facility management respectively. During the Reporting Period, an additional contracted area of non-residential property services was 18 million sq m with the additional full income of RMB2.07 billion. The model of “urban space integration service” has been expanded to Zhuhai Hengqin New Area, Xiong’an New Area, Guangzhou Baiyun and Chengdu Hi-tech Zone, with Vanke Service undertaking urban management services such as local urban environmental sanitation, urban public green space maintenance, municipal infrastructure maintenance, comprehensive community management, and public resources operation and management.

In terms of logistics and warehousing services, “VX Logistic Properties” is the Group’s logistics and warehousing service platform. It served over 850 customers, covering such industry sectors as e-commerce, express delivery, manufacturing, catering and retailing etc. It acquired 21 new projects with an aggregate GFA of leasable properties amounting to approximately 1.91 million sq m in 2019. As at the date of publication of Annual Report of Vanke, there were 53 projects in steady operation under VX Logistic Properties, including 45 high-standard warehouse projects and 8 cold chain projects. Among them, the average occupancy rate of high-standard warehouse projects with stable operation was 92%; the annual utilization rate of cold storage warehouse was 82%, significantly higher than those of 2018.

In terms of retail property development and operation, the Group uses SCPG as its retail property development and operation platform. As at the end of 2019, 108 projects were managed and operated by SCPG in over 50 cities in China, with an area of approximately 9 million sq m under its management and an area of 6.44

million sq m in operation.

In terms of other businesses, Jilin Songhua Lake Resort of the Group's ski resort business was named the "Best Ski Resort in China" by the World Ski Awards for three consecutive years. The Group also gradually expanded its brand influence in elderly care and education sectors.

The Group has actively fulfilled its social responsibilities. The Group carried out targeted poverty alleviation, rural revitalization, education development, and environmental protection activities etc. the Group actively implemented the concept of green and low-carbon development, and continued to promote the development of green buildings and application of prefabrication technologies. In 2019, the coverage rate of green buildings within the Group was 100%, the area of green buildings of the Group reached a total of 193 million sq m. As a global strategic partner of the 2019 Beijing International Horticultural Exhibition, Vanke is responsible for building and operation of the Botanical Pavilion project, one of the four core pavilions.

(Attached is Vanke's audited consolidated statement of profit or loss for the year ended 31 December 2019)

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For media enquiry:

Tony Liu
China Vanke Co., Ltd.
Mobile: (86) 138 2434 6065
Email: liusy24@vanke.com

Christine Chan
CorporateLink Limited
Mobile: (852) 6173 9039
Email: christine@corporatelink.com.hk

China Vanke Co., Ltd.
Audited Consolidated Statement of Profit or Loss
for the year ended 31 December 2019
(Prepared in accordance with International Financial Reporting Standards)

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Revenue	367,893,878	297,083,058
Cost of revenue	<u>(235,697,218)</u>	<u>(187,130,999)</u>
Gross profit	132,196,660	109,952,059
Other net income	5,686,668	3,585,145
Selling and marketing expenses	(9,044,497)	(7,868,076)
Administrative expenses	(15,740,155)	(14,590,133)
Other operating expenses	<u>(1,517,512)</u>	<u>(2,112,602)</u>
Profit from operations	111,581,164	88,966,393
Finance costs	(9,255,269)	(8,181,336)
Share of profits less losses of associates and joint ventures	<u>3,790,598</u>	<u>6,279,911</u>
Profit before taxation	106,116,493	87,064,968
Income tax	<u>(50,984,878)</u>	<u>(37,792,673)</u>
Profit for the year	<u>55,131,615</u>	<u>49,272,295</u>
Attributable to:		
Equity shareholders of the Company	38,872,087	33,772,652
Non-controlling interests	<u>16,259,528</u>	<u>15,499,643</u>
Profit for the year	<u>55,131,615</u>	<u>49,272,295</u>
Earnings per share (RMB)		
Basic and diluted	<u>3.47</u>	<u>3.06</u>