China Vanke Company Limited ("VANKE")

Overweight

Fixed Income Department – Real Estate

Date: 17th Dec. 2021

Analysts
Sonia Hartono sonia.si.qi.hartono@u.nus.edu
Teo Xi Min teo.xi.min@u.nus.edu
Fiona Tan fiona.tan@u.nus.edu

Basic Issuer Information

Issuer	China Vanke Company Limited
Equity Ticker	2202 .HK
Corporate Ticker	VANKE
Credit Rating (M/S/F)	Baa2/BBB/BBB+
Country of Risk	PRC
Sector	Real Estate Developer

1Y Share Price (rebase to 100)

Company Description

China Vanke Company Limited is a publicly listed company first on the Shenzhen Stock Exchange in 1991, then on the Hong Kong Stock Exchange in 2014. As of 10 December 2021, it has an asset value of about CNY1,967 tn.

It mainly focuses on residential real estate and development, with its operations conducted in China. It owns over 400 subsidiaries, some of which are listed, such as Vanke Overseas Investment Holding Company Limited.

Key Financials

(CNY)	FY19A	FY20A	FY21E	FY22E
Revenue(bn)	367.9	419.1	482.1	536.1
Gr Rate (%)	23.8	13.9	15.0	11.2
EBITDA (bn)	114.0	76.7	87.5	95.4
Margin (%)	31.0	18.3	18.1	17.8
Net Debt/EBITDA	1.1x	1.3x	1.0x	1.0x
D/E Ratio	1.0x	0.8x	0.8x	0.7x

Key Executives

Mr Zhu Jiusheng	Chief Executive Officer
Mr Liang Yu	Chairman
Mr. Sun Jia	Chief Financial Officer

Adaptability Amidst Uncertainty

Recommendations

We are initiating coverage of China Vanke Company Limited ("2202.HK"). We have given an issuer profile rating of "overweight" to Vanke's credit outlook. We will be focusing on VANKE 2022 1.900%, VANKE 2024 3.520%, VNKRLE 2027 3.975%, VNKRLE 2025 3.15%, VNKRLE 2024 4.200%, and VANKE 2021 4.03%.

Recent Developments

- Preparation for IPO of Property Management unit Onewo is estimated to raise USD2 bn as Vanke joins other Chinese developers like Country Garden Holdings Co, and China Resources Land Ltd
- Acquisition of Chengdu Shengshi Jingwei Real Estate, previously a subsidiary of Keppel for CNY1.6 bn. The purpose of this acquisition seems to be to acquire the underlying properties
- Shift to increase weight to real estate management and services.
- Shift focus to real estate management and services as several of China's largest property developers start to tweak business models to bolster profitability amidst the regulatory crackdown by the Chinese government.

Key Credit Considerations

Despite short-term deteriorating credit conditions due to the adverse economic environment and Evergrande crisis in 2021, Vanke uses the following to maintain its leading position in China's homebuilding market: strong positioning as a quasi-state-controlled firm, giving it better funding access alongside its healthy financial profile, operational advantages from its large scale, and strong execution ability. Vanke has been able to adapt to the new government regulations and worsening credit conditions at times.

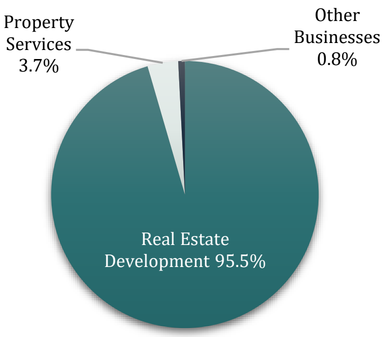
Credit Positives

- Vanke's exposure to upper-tier cities could make it more resilient to a sales slowdown
- Involvement in large scale and government mandated development projects such as the Guangdong-Hongkong-Macau Greater Bay Area and other core cities
- Strong shareholder support from Shenzhen Metro SZMC creating synergies and access to partnerships and revenue generating opportunities

Credit Negatives

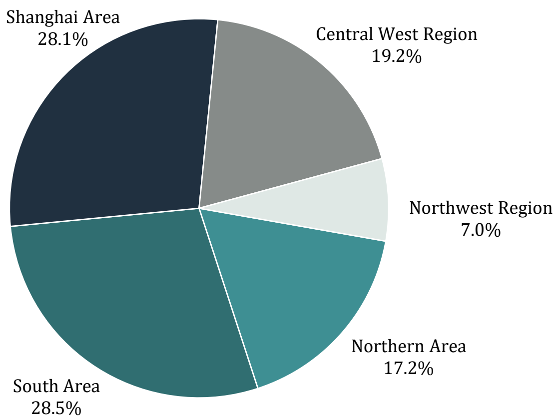
- Overreliance on Chinese Real Estate Market with low dependence on the international market
- Uncertainty of Chinese Real Estate Market
- Dependence on property development business as a key driver for revenue and profitability, which makes Vanke overexposed to the macroeconomic conditions and government policies for the real estate sector

Figure 1. Revenue by Business Segments



Source: Vanke Annual Report

Figure 2. Revenue by Geographic Contribution within China



Source: Vanke Annual Report

Figure 3. Vanke's Close Competitors by LTM Revenue

Top Competitors of China Vanke Co.
Greenland Holdings Corporation Limited
Country Garden Holdings Company Limited
China Evergrande Group
Sunac China Holdings Limited
China Resources Land Limited
China Merchants Shekou Industrial Zone Holdings
Guangzhou R&F Properties Co. Ltd.
Agile Group Holdings Limited
CIFI Holdings (Group) Co. Ltd.
Logan Group Company Limited

Source: Capital IQ 2021

Company Overview

China Vanke Co. (Vanke) is a China-based company principally engaged in real estate development and property management businesses. Established in 1984, Vanke focuses on developing commodity residential housings and is the largest residential real estate developer in China. It mainly operates in China, constantly looking out for investment opportunities overseas. It has already entered eight cities including New York, London and Singapore.

Vanke was first publicly listed on the Shenzhen Stock Exchange in 1991, and subsequently also listed on the Hong Kong Stock Exchange in 2014. Currently, its main shareholder is the Shenzhen Metro Group, which holds a 28% stake in the group.

As of 10 December 2020, China Vanke Co. has a market capitalization of CNY229 bn, an enterprise value of CNY523 bn and made a revenue of CNY419 bn in FY2020. This puts the group at a rank of #160 on the Fortune Global 500, only behind 3 other Chinese real estate developers.

The top 10 competitors of China Vanke Co. are Greenland Holdings Corporation Limited, Country Garden Holdings Company Limited, China Evergrande Group, Sunac China Holdings Limited, China Resources Land Limited, China Merchants Shekou Industrial Zone Holdings, Guangzhou R&F Properties Co. Ltd., Agile Group Holdings Limited, CIFI Holdings (Group) Co. Ltd. and Logan Group Company Limited. These competitors are closest in terms of revenue to Vanke in the last 12 months (LTM) – having a revenue ranging from CNY11.8 bn to CNY88.3 bn, with Vanke's LTM revenue at CNY70.5 bn.

Revenue by Segments

Vanke has 2 main revenue streams by segments – Real Estate Development and Property Services, which took up 95.5% and 3.7% of revenue in FY2020 respectively. This meant that revenue of Vanke from Real Estate Development reached CNY400.5 bn, while revenue from Property Services reached CNY15.4 bn. Its other businesses include Rental Housing, Hotel and Resort Business, Logistics and Warehousing Services, and the Education Business.

Revenue by Geography

Vanke mainly operates in China. It draws most of its revenue from the Shanghai Area as well as the South Area, which includes the Shenzhen Area and Guangzhou Area. The rest of its revenue is mainly from the Central West Region and the Northern Area (mainly Beijing).

Vanke's overseas business contributed revenue of CNY6.3 bn. This amount to a mere 0.09% of its total revenue, highlighting how heavily reliant Vanke is on its domestic market.

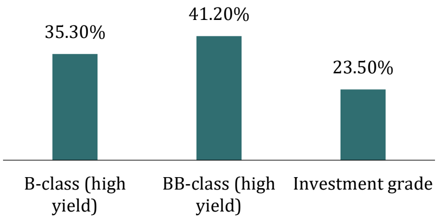
Recent Earnings Review

Vanke's performance in the first half of 2021 was adversely impacted by the declining property market. In 1H2021, Vanke reported CNY166 mn in revenue and CNY11 mn in net income, which is a 38.7% and 61.9% fall in revenue and net income respectively from 2H2020.

Credit Rating

Vanke generally has a strong credit rating, especially against its competitors. As of 10 December 2021, Vanke has a credit rating of BBB+ and has a stable outlook – Fitch affirms Vanke's credit rating at BBB+, which is investment grade, unlike most of its peers. Vanke has held this credit rating since it was first rated by Fitch, further emphasizing its stable outlook. Moreover, as of May 2020, a

Figure 4: Distribution of Chinese Developers by Credit Rating



Source: BSM as of 14 May, 2020

Figure 5: Vanke's Prominent Managers & Shareholders

Prominent Managers and Directors of Vanke	
Chairman of the Board and Group Partner	Yu, Liang
President, Chief Executive Officer & Group Partner	Zhu, Jiusheng
Executive Director	Zhu, Jiusheng
Executive Vice President, Head of Finance & Group Partner	Han, Huihua
Executive Vice President, Chief Operating Officer & Group Partner	Liu, Xiao
Group Partner & Chief Partner	Ding, Changfeng
Group Partner, Chief Partner, Senior Vice President	Ding, Liye
Group Partner & Chief Partner	Tan, Huajie
Group Partner & Chief Partner	Li, Wei
Chief Partner	Sun, Jia
Executive Director	Wang, Haiwu

Source: Capital IQ, 2021

Figure 6: Vanke's Main Shareholders

Main Shareholders of Vanke	
Shenzhen Metro Group Co. Ltd.	27.89%
Guosen Securities Co. Ltd., Asset Management Arm	2.21%
Shenzhen Yingjiazhong Industrial Partnership Enterprise (Limited Partnership)	2.05%
GIC Pte. Ltd.	1.64%
China Life Insurance Assets Management Co. Ltd.	1.64%
Top 5 shareholders	**35.43%**

Source: Capital IQ, 2021

distribution of Chinese Developers by credit ratings show that more than 75% of developers are rated high yield.

Vanke has operational advantages from its large scale, strong execution ability and healthy financial profile, which gives it the flexibility to control business risks in China's highly competitive and cyclical homebuilding sector.

Ownership & Management

Management of Vanke

Mr. Liang Yu has been the Chairman of Vanke since July 2017. He also served as its President from 2017 to early 2018 and was the General Manager for the 17 years before that. Prior to that, he served as Vanke's General Manger from 2001.

The CEO of Vanke is Mr. Zhu Jiusheng, and has held his position since January 2018. He has also served as the executive director of the Group since June 2020. In addition, Mr. Zhu used to work at the Wuhan Jiangxia Finance Bureau of Hubei Province, as well as in the Shenzhen Branch of China Construction bank Corporation Limited.

Shareholders of Vanke

Shenzhen Metro Group Co. Ltd. (SZMC) is the majority shareholder of Vanke – holding a 28% stake. SZMC is a large-scale state-owned enterprise, which leads the construction and operation of rail transit in Shenzhen. It mainly offers rail freight services, but also provides railway track construction, operation, and property management services.

SZMC only became the majority shareholder in June 2017, when it acquired CNY29.2 bn worth of shares, or 14% of its shares, surpassing financial conglomerate Baoneng Group

This 28% is significantly larger than the next largest shareholder, which holds only about 2.2% of outstanding shares. About 27% of Vanke's shares are owned by institutions, 30% by private corporations and the remaining by the public and individual investors.

Industry Outlook

Industry Description

Currently valued at USD55 tn, the Chinese real estate market is a key part of its economy and is an integral component of China's financial system. Nearly 30% of China's GDP comes from annual housing activity – significantly higher than the usual 10% to 20% of most developed countries.

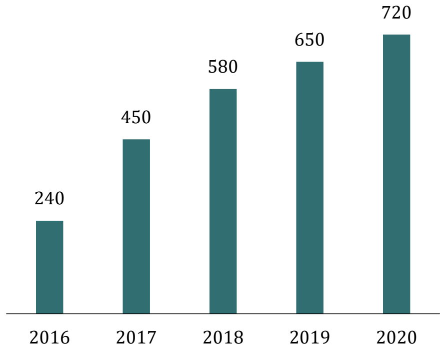
Since the 1990s, the Chinese real estate market has experienced a dramatic and long-lasting boom across China. This arose because credit was freely available, resulting in developers having no qualms about borrowing heavily. Ghost cities hence formed and now, about a fifth of China's housing units lie vacant, often because they are too expensive for the population.

Market Size

The real estate market has been growing over the past decade, with continued growth in recent years. This growth is expected to continue as real estate investment volume is expected to increase 15% to 20% y-o-y.

In the months following the onset of the COVID-19 pandemic, the Chinese real estate market remained strong as home prices generally continued to grow. This is demonstrated by China's real residential property price index rising from 107.2 in January 2020

Figure 7: Market Size of Real Estate Industry by Contracted Sales Value (Millions, USD)



Source: Bloomberg, 2021

Figure 8: Vicious Cycle of the Contraction of Chinese Real Estate Market

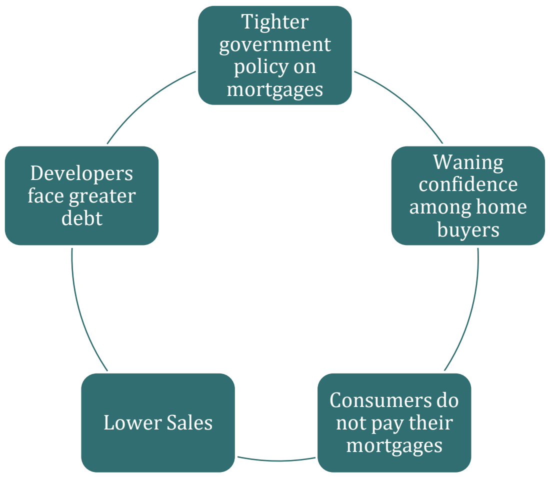


Figure 9: Three Red Lines

Metrics of the Guidelines

1. A 70% ceiling on liabilities to assets, excluding advance proceeds from projects sold on contract
2. A 100% cap on net debt to equity
3. A cash to short-term borrowing ratio of at least one

Number of lines violated	Debt growth permitted
0	15%
1	10%
2	5%
3	0%

Source: Bloomberg News, 2020

Figure 10: Chinese Developers and the Red Lines Crossed

0 lines crossed	1 line crossed
Agile Group Holdings	Country Garden
Vanke	CIFI Holdings
2 lines crossed	**3 lines crossed**
Sunshine City	Greenland Holdings
	China Evergrande

Sources: Financial Times, October 2021, South China Morning Post, 2021

to 111.2 by the end of the year. The real estate market also experienced a 11.3% y-o-y growth in 2020. However, with recent industry developments like the introduction of the 3 red lines and fear of overinvestment, faith in the Chinese real estate market has started to dwindle.

Home Sales in China Falling Sharply

Home sales in China have fallen rapidly, as seen from the falling sales revenue and plunging home prices. New home prices fell 0.3% m-o-m in November, which is its largest decline since February 2015. Moreover, the actual value of home sales plunged by 16.3% in a fifth straight month of decline. Analysts also have a pessimistic outlook – home prices are expected to drop 1.0% in H1 2022, while property investment is expected to slump 3.0%.

Furthermore, the month of September 2021has shown numerous big developers reporting lower sales figures with y-o-y declines of more than 20% or 30%. Some examples would include Longfor Group Holdings Ltd. And China Resources Land Ltd., which released weak data of contracted sales down y-o-y 33% and 24% respectively.

What started down as a cooling measure by the government may have resulted in a vicious cycle of the contraction of the Chinese Real Estate Market. Firstly, the onset of this slowdown was partly a result of tighter government policy on mortgages, resulting in a waning confidence among home buyers. Worse, news on Evergrande, China's largest real estate developer, having unfinished constructions have added to those fears. This leads to more and more failed payments by consumers on their mortgages, which results in lower sales, and developers facing greater debt. This in turn may spur the government to further tighten its policies, causing a vicious cycle.

Some Chinese Developers Unable to Repay Debt

Recently, many Chinese real estate developers have reported missed payments or an increase in default risk. Most notably would highly indebted Evergrande defaulting. Amongst others, developers like Fantasia, Modern Land China, China Properties Group and Sinic have failed to make coupon payments. Rating agencies also issued a fresh round of downgrades on China's property films – there were 44 cuts in the sector by Moody's, S&P and Fitch as of October 2021, just after 34 downgrades in the month before.

Financial Analysis

Overview:

The table on the left (Fig. 11) shows Vanke's 5-year historical financial performance including key ratios which indicate their profitability, activity, liquidity and leverage positions. In the last 5 years, revenues and EBIT grew at an average rate of 18.3% and 20% respectively. However, it is worth noting that COVID-19 had a significant impact on the company, with EBIT falling by 33.5% y-o-y from CNY107.7 bn to CNY71.6 bn. While revenues grew by 13.9% y-o-y in 2020, revenue growth fell by 41.6%. Excluding 2020, revenues and EBIT grew at an average rate of 8.5% and 6.8% respectively from 2016 to 2019. While vaccines have been rolled out in 2021, the pandemic remains unpredictable with the development of new variants, it is thus highly likely revenues and EBIT will be volatile. Nevertheless, Vanke's revenue is estimated to continue to increase from CNY419.1 bn in 2020 to CNY536.1 bn in 2022, given Vanke's strong pipeline of upcoming projects and increasing gross margins in its property development segment in China. EBIDTA is also estimated to increase from CNY76.7 bn in 2020 to CNY95.4 bn in 2022.

Figure 11: Vanke Table of Financial Ratios

	FY2016	FY2017	FY2018	FY2019	FY2020
Profitability Ratios					
Net profit margin	8.7%	10.8%	11.5%	10.5%	9.0%
ROA (Underlying profit)	2.9%	2.8%	2.5%	2.4%	2.3%
ROE (Underlying profit)	19.7%	22.8%	23.4%	22.6%	20.1%
Liquidity Ratios					
Quick Ratio	0.14	0.2	0.16	0.13	0.14
Current Ratio	1.24	1.2	1.15	1.13	1.17
OCF Ratio	6.4%	9.0%	0.2%	1.2%	3.2%
Solvency Ratios					
Debt / Assets	16.0%	16.6%	17.1%	16.3%	15.3%
Debt / Equity	81.9%	103.9%	110.9%	104.1%	81.6%
Long-Term Debt / Equity	52.9%	68.8%	71.3%	68.5%	57.2%
Debt Service Coverage	83.1%	77.5%	95.5%	115.6%	93.9%

Source: Vanke's Financial Statements, Bloomberg

Figure 12: Vanke's Revenue and Profitability Ratios (CNY Million, %)

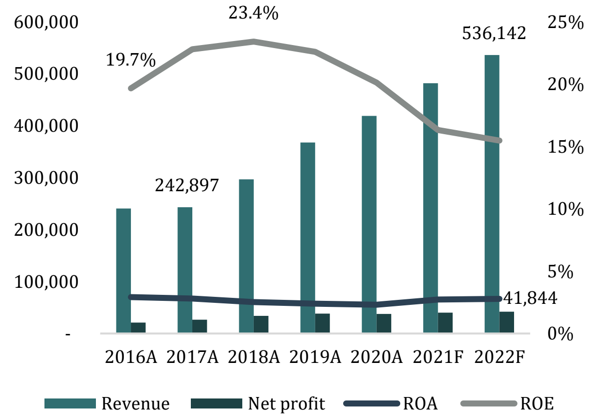
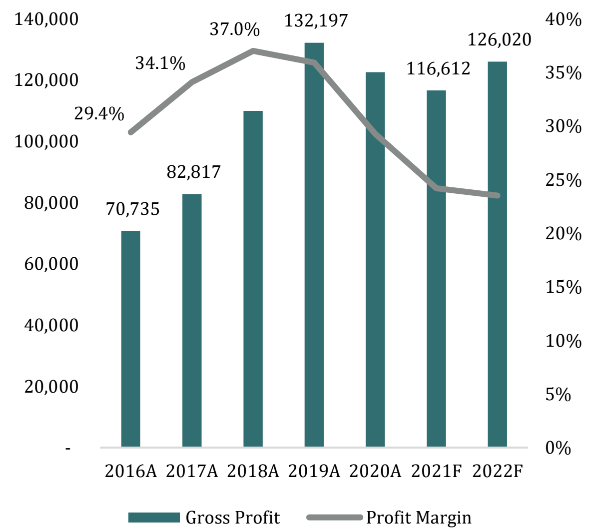


Figure 13: Vanke's Gross Profit and Profit Margins (CNY Million, %)



Source: Vanke's Annual Reports, Bloomberg

While revenue rose 14.2% to CNY167 bn in 1H21 with unbooked sales of CNY781.9 bn, Vanke's net profit for the first half of 2021 fell 11.7% y-o-y to RMB11 bn (compared with 6% growth in the year earlier period). This is likely due to decreased margins on booked development projects and the government's anti-speculations curbs spooking the mainland housing market. Vanke's contracted sales grew 2% y-o-y in 1H21. It may be on track to hit annual contracted sales of CNY704 bn achieved in 2020. Its sales could benefit from the increase in land spending in 1H21, with land spending-to-contracted sales ratio increasing to 41% vs. an average 33% in 2018-2020.

Stable Profitability Metrics

Vanke's 5-year historical gross profit margins have remained relatively stable, with gross margins at 33.1% on average over the past 5 years (Fig. 13). ROA and ROE have also remained relatively stable. ROA averaged at 2.6%, while ROE averaged at 21.7%. ROA is projected to remain relatively stable, while ROE is projected to decrease slightly (Fig. 12). Despite the 13.8% y-o-y increase in revenues in 2020, net profits fell 1.5% y-o-y, mainly due to the increase in operating expenses such as the rise in raw material costs which is a result of the shortage of raw materials and breakdown of global distribution networks and supply chains in 2020. On the other hand, EBITDA, Operating and Net Income margins were heavily impacted for FY2020, as a result of administrative and other operating expenses increasing, a larger revenue base, a significantly smaller increase in fair value of properties, as well as higher taxes arising from land appreciation taxes in China.

In the short run, profitability metrics are likely to be volatile with the ever-evolving pandemic and development of new variants disrupting businesses and the economy. However, going forward in the long term, we expect that profitability metrics improve, given Vanke's continued strong support and funding from SZMC in a tight liquidity and volatile environment, Vanke's strong pipeline of upcoming projects and increasing gross margins in its property development segment in China, with strong revenue growth of 74%.

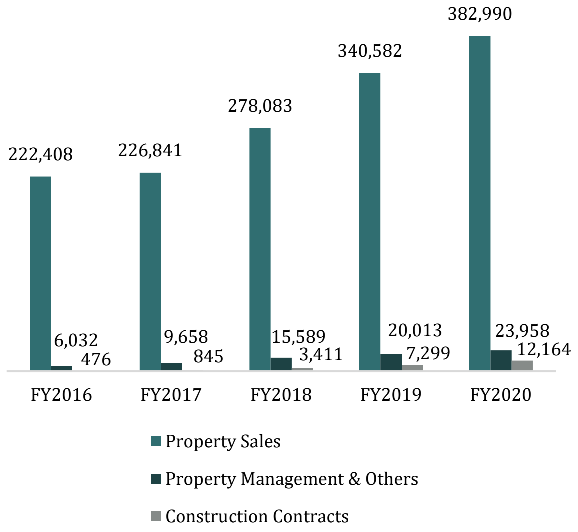
Gross Margin Compressed to 22.9% in 1H21 From 31.8% in 1H20

Vanke's depressed gross margin in 1H21 may continue to weigh on profit due to a 17% rise in new land acquisition cost as average selling prices rose just 8%. Large unbooked property sales of CNY782 bn may offset the negative impact to avoid a large drop in profit. Vanke could benefit from potentially lower land cost in 2H21 after stricter government land-premium policies in August, although it had already spent 41% of its contracted sales on land at end-July compared with a regulatory limit of 40%.

Higher Recurring Revenue

Vanke's higher recurring revenue, especially from its property sales, may smooth out the potential higher volatility in its property development business. Vanke has a few sources of revenue streams, mainly Property sales, Property Management & Others, and construction contracts. Property sales accounted for 88% of revenue in 1H21, albeit lower than almost 90% in 1H20. It's rental housing business may benefit from a high occupancy rate of 95% in 1H21, underpinned by its one-stop service for enterprises and workers. Retail property development may maintain moderately high growth with 5.5 mn square meters under planning and construction. In addition, it is highly likely the return of employees to the office is an industry tailwind. However, it is worth noting the Omicron variant has delayed many companies' mandated office return, which may delay or affect the industry growth. Logistics and warehousing could grow quickly from a low base, with 3.5 mn square meters in the pipeline.

Figure 14: Vanke Revenue Breakdown by Segment



Source: Bloomberg

Figure 15: Vanke's AR Ageing Table Analysis

	31-Dec-20	31-Dec-19
	RMB'000	RMB'000
Within 1 year	2,294,266	1,346,353
1 to 2 years	268,005	348,291
2 to 3 years	247,874	175,588
Over 3 years	191,941	146,814

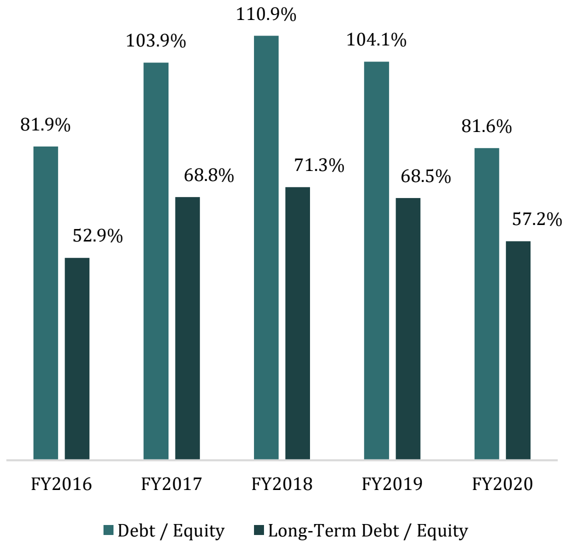
Source: Vanke's Annual Reports

Figure 16: Vanke's Days Sales Outstanding

31-Dec-20	31-Dec-19
1.77	2.17

Source: gurufocus.com

Figure 17: Vanke Decreasing Financial Leverage Ratios



Source: Bloomberg

Unhealthy Accounts Receivables figure

Accounts receivables is 79% of Vanke's revenue as of FY2020. This is a relatively high number, but it is a smaller percentage as compared to 95.6% in FY2019. This indicates Vanke is working on improving this figure and reducing their credit risk. Additionally, there was a 48.8% y-o-y increase in total accounts receivable in FY2020 (Fig. 15). This indicates an overall deterioration of Vanke's customers' financial health, which is likely due to Covid-19 woes. This poses higher risks for Vanke especially if customers of Vanke default on their payments. However, Vanke's days sales outstanding has decreased from 2.17 in 2019 to 1.77 in 2020 (Fig. 16). These are relatively low values, and the decrease indicates Vanke is getting the money it needs to create new business more promptly, lowering its credit risk.

Decreasing financial leverage ratios

Total debt and assets increased in the past 5 years, but with total debt as a percentage of total assets decreasing only slightly from 16% in 2016 to 15.2% in 2021 (Fig. 17). In addition, net debt as a percentage of equity has also decreased over the same period from 32.8% to 30%, indicating decreasing financial leverage of the company. Given that this is still below the thresholds of the "Three Red Lines" policy limiting debt use for property developers in China, there is likely no short-term repercussions for the company's expansion in GBA and other major cities in China. It is worth noting that total debt as a percentage of equity increased to 110.9% in 2018 before falling to 81.5% in 2021. The fall may possibly be due to the introduction of the "Three Red Lines" in 2020. Vanke may have been able to lower its financial leverage through its cautious view of the market. Long Term Debt as a percentage of equity also increased slightly from 52.9% in 2016 to 57.5% in 2021.

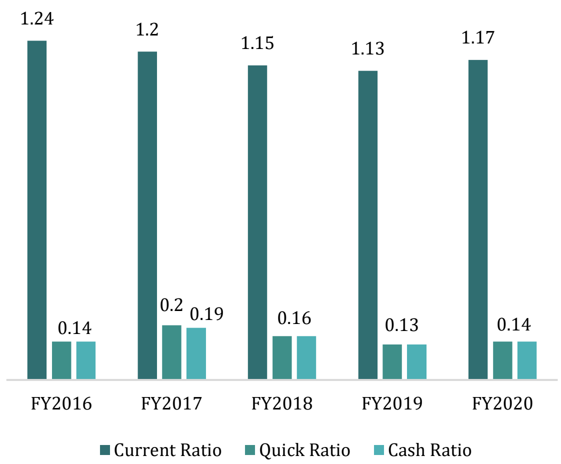
Deteriorating Liquidity Ratios

Vanke has a current and quick ratio of 1.17 and 0.14, which is low compared to industry peers such as Longfor Properties and China Overseas Land, which have considerably higher liquidity ratios (Fig. 19). As seen in Figure 18, liquidity ratios for Vanke have been decreasing over time, as short-term liabilities have increased significantly from CNY580 bn to CNY1,317.5 bn in 2020 outpacing the growth in current assets. We expect to see this trend continue in the next few years, as the company develops more projects in Greater Bay Area of China such as the joint venture with SZMC to accelerate the implementation of the "railway + property" model, which would leave the company in an increasingly vulnerable liquidity position.

Decreasing Interest Coverage Ratios

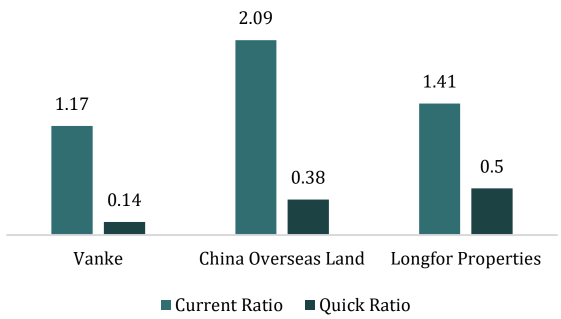
EBIT to Interest Expense has decreased overtime in the last 5 years between 15.4x to 8.2x, as shown in Figure 20. This was due to decreasing EBIT and increasing interest expense. In 2020, EBIT to Interest Expense fell from 11.6x to 8.2x as EBIT decreased significantly, while financing costs increased significantly, both as a result of higher interest payments as well as a smaller amount of interest costs capitalised under costs of assets under construction and investment properties under development. EBIT decreased y-o-y by 33.4%, while interest expense decreased y-o-y by 5.4% in FY2020. While interest coverage ratios have decreased over the last 5 years, interest coverage ratios have recently increased, and they are estimated to continue increasing in the next few years. As of June 2021, the interest coverage ratio has increased to 9.6. Given the strong pipeline of projects in Hong Kong and China, we expect the interest coverage ratio to increase from 2021 levels to approximately 2-3x in FY2022 and to approximately 4x thereafter. Moving forward, Vanke is unlikely to face significant issues in servicing its debt. On the other hand, Vanke's interest coverage ratio may not increase substantially as China's "Zero COVID" policy has

Figure 18: Vanke's Liquidity Ratios



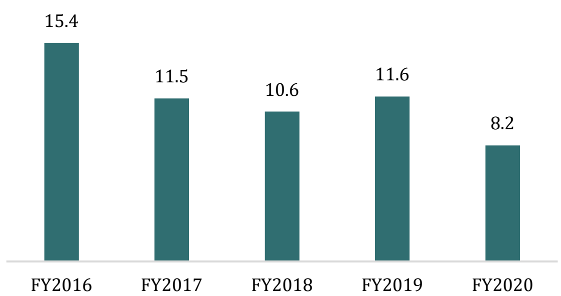
Source: Bloomberg

Figure 19: Comparison of Liquidity Ratios



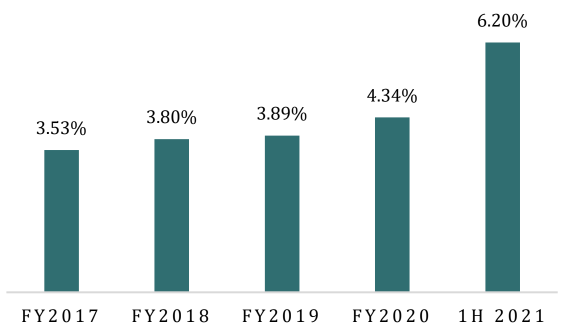
Source: Bloomberg

Figure 20: Vanke Interest Coverage Ratios Worsen



Source: Vanke's Annual Reports, Bloomberg

Figure 21: Revenue contribution from Property Management



slowed China's economic recovery, with many speculating its economic recovery will be further hampered by the Omicron variant.

Healthy completed homes inventory for FY2020

Vanke's homebuilding inventory remains healthy as completed homes make up 76.7% of total homebuilding inventory. Vanke is also producing healthy home sales as their housing sales has been on an upward trajectory in the last 5 years from CNY234.1 bn in FY2016 to CNY400.4 bn in FY2020. With data to suggest that VANKE's homes are actually selling, we believe their completed homes inventory can soon be churned through. A larger proportion of completed homes also means Vanke is less likely to be behind payments to construction material suppliers, thus reducing the likelihood of Vanke defaulting or ending up in a predicament like China Evergrande Group.

Recent developments

USD2 bn property management IPO

Vanke is preparing for a listing of its property management business in Hong Kong that could raise about USD2 bn. This announcement was made in April 2021 and is in the midst of working with several other banks for the offering which is projected to take place as early as the end of 2021. Vanke's stocks rose as much as 2.1% in Hong Kong to almost one week high upon the news. This IPO is seen to be an attempt to spin off their management unit, which is less vulnerable to government policy changes and economic cycle and amidst the worsening outlook on the Chinese real estate market which will be elaborated below. This is similar to what other Chinese Developers have done in recent years, including China Resources Land and Country Garden Holdings Company in response to the regulatory crackdown by the Chinese government. Vanke's property management unit is Onewo Space-Tech Service Co. Ltd also known as Onewo which realized RMB10.38 bn in 1H21, an increase of 33.3% year on year. Majority of Onewo's revenue comes from its residential property service at RMB5.71 bn accounting for 55%. Vanke is hoping that the use of technology in its real estate management could help boost the unit's valuation. It is an urban technology service platform with space technology as the forerunner, space service as the foundation, and growth ecological chain as the assistance. China Vanke can make use of this IPO to increase their weight and focus towards their property management arm and diversify their business.

Shifting focus onto real estate management and services

Vanke is looking to shift and give more weight to its real estate management and services. The move to spin off Onewo as aforementioned can be seen as an attempt to focus efforts to grow their property management arm. Several of China's largest property developers has started to tweak their business models to bolster profitability amidst tighter government restrictions on borrowing. In 2018, Vanke had consolidated its core business around estate development, subordinating other interests like property services, logistics and storage. However, this development-oriented strategy has clashed with new regulations by the Chinese government known as the "Three Red Lines", which slapped new borrowings limits on some major property companies, a highly indebted sector that accounts for around 29% of China's economic output. Thus, Vanke's shift to focus on real estate management and services helps Vanke to diversify their business and potentially work around this issue and lower their risks of having too much weight on their real estate development unit. Fig. 21 shows the increase in percentage in revenue contribution by Onewo from 3.5% in 2017 to 6.2% in first half of 2021, signifying the shift in focus.

Acquisition of Chengdu Shengshi Jingwei
Vanke recently acquired Chengdu Shengshi Jingwei Real Estate Co Ltd for approximately RMB1.6 bn in July 2021. Chengdu Shengshi is a residential property developer under Chengdu Hillwest Development Co Ltd, a subsidiary of Keppel Land China Limited. The purpose of acquiring Chengdu Shengshi Jingwei is to acquire the underlying properties and projects. Chengdu Shengshi owns Serenity Villas, a residential development project in Mumashan, Chengdu, China. This acquisition is a willing-buy, willing-seller deal as Keppel is expected to garner a divestment gain of around CNY688 mn while Vanke gets to take over Chengdu Shengshi's residential development project in the top first-tier city of China. The location of this residential development project also ties in well with Vanke's continued focus on top-tier cities and high-quality property residential services by Onewo allowing Vanke to grow their property management arm as well.

Continuous worsening of sentiments towards Chinese Property firms
China's regulatory crackdown, the downfall of Evergrande as well as the expansion of property tax trials in China is causing the property market in China to be pummeled with slumping sales and poor performance. Even though Vanke has not breached a single of the country's "three red lines" on debt and leverage and has remained profitable despite decline in earnings and sales in 2021, Vanke's shares plunged to its lowest on 2nd November 2021 since August 2016. This inevitably affects investors sentiments towards the real estate market, thus it is likely harder for Vanke to raise funds via the capital markets and may be harder to obtain fewer projects or deals.

Other notables:

- Have completed refinancing for all debt maturing in 2021

Key Upcoming Projects (Hong Kong):

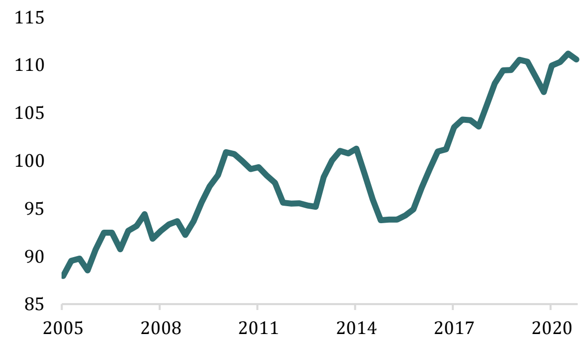
- Vau Residence, Ho Man Tin – 209 to 388 sqft per unit, 165 units

Key Upcoming Projects (Mainland China):

- Lanzhou Vanke City Late Phase 718 mu project 478,528 sqm
- Jinan Nanbei Kang 07 Block Project 149,383 sqm
- Tianjin Land lot of Xiangluowan 120,938 sqm
- Jiangnan Vanke City Phase II, Chongqing 152,648 sqm
- Xi'an Vanke Four Seasons Flower City 171,790 sqm
- Sunflower Town South County, Changchun 201,017 sqm

Issuer Credit Analysis

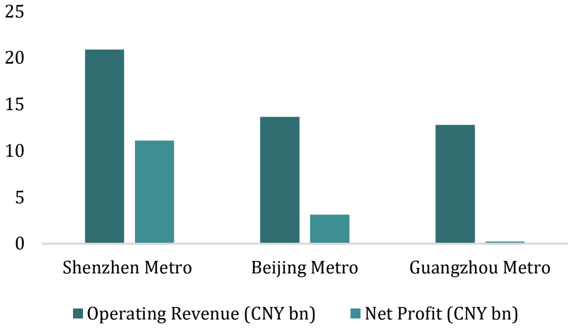
Figure 22: Growth of Real Residential Price Index in China



Source: Fred Economic Data

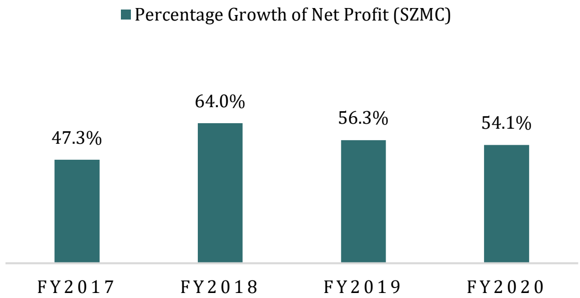
Positives
1.Exposure to upper tier cities
Vanke's exposure to upper-tier cities like Beijing and Shanghai could make it more resilient to a sales slowdown. About 92% of gross floor area (GFA) for Vanke's new projects as of 1H21 was located in first and second tier cities which bodes well for sales. The average land premium per square meter was CNY7,480, compared with an average selling price of CNY16,171 for contracted sales in 1H21 creating buffer for margin squeeze in weaker markets. In 1H21, total revenue increased moderately by 14%. Vanke is positioned to benefit from first-home and upgrading demand in tier-1 and 2 cities, making it less prone to the industry's slowdown risk. There is a general increase in prices of residential properties (Fig. 22) in China which is evident in top tier cities like Shanghai. Shanghai overtook Hong Kong to be the world's most expensive city when it comes to the cost of housing. average price per square foot of residential real

Figure 23: Comparison between major Chinese metro companies



Source: Shenzhen Government Website

Figure 24: Percentage Growth of Net Profit (SZMC)



Source: SZMC's Annual Report

estate in Shanghai comes in at a hefty USD950 and up to USD1,820 for Huangpu, the city's most expensive area which is more expensive than cities like London, New York and Paris. Vanke's exposure to upper tier cities also ties in well with its property management Onewo that focuses on providing high quality property services.

2. Strong shareholder support from Shenzhen Metro SZMC creating synergies and access to partnerships and revenue generating opportunities

Shenzhen Metro SZMC is Vanke's largest shareholder with one-third stake in the company. Vanke's status as a quasi-state-controlled firm through Shenzhen Metro gives it better funding access. Shenzhen Metro one of the largest metro companies in China and takes first place in revenue and profit amongst 22 other metro companies in Chinese cities. It is a large-scale sole proprietorship SOE under the direct control of the State-owned Assets Supervision and Administration Commission of People's government of China. The group's profit was more than the total profit of 21 other companies which was accumulatively CNY10.6 bn as shown in Fig. 23. Having such a strong stakeholder allows Vanke to take advantage and have access to revenue generating opportunities and projects by working with Shenzhen. Fig. 24 shows the percentage growth of Shenzhen Metro's net profit which is consistent at around 50% for the past three financial year, showing robust growth.

3. Involvement in large scale development projects

Vanke entered a joint venture memorandum with Shenzhen Metro to accelerate the implementation of the "railway + property" model. This joint venture primarily invests in the major projects including the Guangdong-Hongkong-Macau Greater Bay Area and other core cities. Involvement in such a large-scale Chinese government development like the Greater Bay Area will allow Vanke to appreciate in the long term. The Greater Bay Area is intended to be China's new innovation and financial powerhouse with a population of over 86 million and the GDP is USD1.7 tn in 2020. The Greater Bay Area was mentioned in the 13th Five-Year Plan as an important national economic development strategy for China, it also covers one-tenth of the country's economic size contributing to the new wave of China's reform and opening-up.

Negatives

1. Overreliance on Chinese Real Estate Market

Although Vanke does invest in overseas property markets, the total revenue from overseas markets only amount to 0.09% of revenue in 2020. While Vanke is trying to increase its investment overseas in the long run, in the near term, its undiversified revenue stream may be a cause for concern. This is particularly pertinent in the current volatile climate of the Chinese real estate market as Chinese housing market slumps intensifies as nominal home prices begin to fall for the first time in 6 years, with a 0.08% drop in new home prices across 70 cities in September 2021.

2. Dependence on Property Development

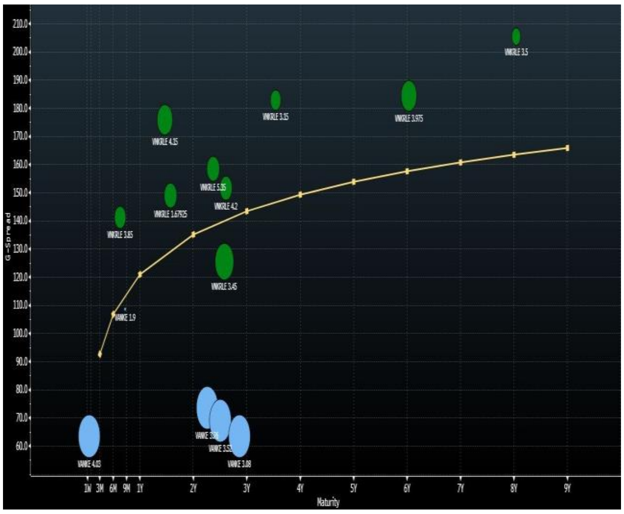
In 2020, 95.5% of Vanke's revenue comes from property development. This includes both retail property development as well the property development business. Its property services and other businesses only account for less than 5% of its revenue. While Vanke has a lot of various revenue streams even diving into the education sector, this contribution is not substantial – it is unable to cushion any possible negative impact on its revenue stream from property development. Although Vanke is set to increase its weight to property management, such plants may only take effect in the long term. This is particularly important in the Chinese real estate market as regulations are tighter. Any changes in buyer stamp duty or refinancing laws may impact Vanke more greatly due to its higher dependence on its revenue from property development.

3. Uncertainty of Chinese Real Estate Market

The industry outlook for the Chinese real estate market is generally uncertain – many developers are defaulting, many homes are left vacant and home prices are falling. Furthermore, many home purchases are done as investments and not for actual home use. This has led to a drastic fall in demand when there is an unstable market as people may choose to invest in safer assets. While it is true that the market has been booming for a while, it is still uncertain if this is will continue. Government regulations on both developers and homebuyers may also tighten any time which may make it more difficult for Vanke to profit.

Over the past 15 years, the real residential property price index fluctuates, but with an overall increasing trend. Most recently, this index has taken a dip for the past few months. Since Vanke relies heavily on real estate development, and in particular residential real estate development, such fluctuations put the company at higher risk of default due to its greater exposure. It can be seen from Fig. 22 that the real estate market in China, although has been on an increasing trend, is highly exposed to fluctuations. More recently, it took a hit, further exacerbating the uncertainty already present in the market.

Figure 25: Mean Yield Curve and Relative Valuation for Vanke Bond Issuances



Source: Bloomberg

Figure 26: Vanke Bond Issuances

Description	Amt Out. (CNY Miln)	Coupon	Issue date	Maturity date	Issue Curr.	Seniority	YTW	Price
Vanke Real Estate Hong Kong Co Ltd 2029 3.5%	300.00	3.5	12/11/2019	12/11/2029	USD	SNR Unsec	3.796	99.638
Vanke Real Estate Hong Kong Co Ltd 2027 3.975%	1,000.00	3.975	2/11/2017	9/11/2027	USD	SNR Unsec	3.284	104.37
Vanke Real Estate Hong Kong Co Ltd 2024 4.2%	600.00	4.2	7/3/2019	7/6/2024	USD	SNR Unsec	2.271	105.056
Vanke Real Estate Hong Kong Co Ltd 2024 3.45%	226.09	3.45	25/5/2021	25/5/2024	CNY	SNR Unsec	-	98.88
Vanke Real Estate Hong Kong Co Ltd 2023 4.15%	971.00	4.15	18/4/2018	18/4/2023	USD	SNR Unsec	2.042	103.031
Vanke Real Estate Hong Kong Co Ltd 2025 3.15%	423.00	3.15	5/11/2019	12/5/2025	USD	SNR Unsec	2.782	101.445
Vanke Real Estate Hong Kong Co Ltd 2023 1.67925%	650.00	1.67925	25/5/2018	25/5/2023	USD	SNR Unsec	1.751	99.92
Vanke Real Estate Hong Kong Co Ltd 2024 5.35%	630.00	5.35	11/12/2018	11/3/2024	USD	SNR Unsec	2.142	107.241
Vanke Real Estate Hong Kong Co Ltd 2022 3.85%	79.01	3.85	13/6/2019	13/6/2022	CNY	SNR Unsec	4.154	100.1
China Vanke Co Ltd 2024 3.52%	309.27	3.52	29/4/2021	29/4/2024	CNY	SNR Unsec	3.356	100.488
China Vanke Co Ltd 2021 4.03%	312.84	4.03	13/11/2018	15/11/2021	CNY	SNR Unsec	2.652	100.049
China Vanke Co Ltd 2024 3.08%	312.84	3.08	2/9/2021	6/9/2024	CNY	SNR Unsec	-	99.279
China Vanke Co Ltd 2022 1.9%	1.28	1.9	18/7/2017	18/7/2022	CNY	SNR Unsec	-	98.969
China Vanke Co Ltd 2024 3.76%	307.91	3.76	27/1/2021	29/1/2024	CNY	SNR Unsec	-	100.936

Source: Bloomberg

Issuance Analysis

China Vanke's Outstanding Bonds

From outstanding issuances of China Vanke Co Ltd, we derive a fair G-spread curve with the following recommendations:

Overweight VANKE 2022 1.900% vs VANKE 2024 3.520%

VANKE 2022 1.900% trades at a higher premium of spread over VANKE 2024 3.520%, and at a lower price than VANKE 2024 3.520%. Most of VANKE's bonds are priced much tighter than its direct subsidiary's bonds, Vanke Real Estate Hong Kong Co Ltd (VNKRLE). This may be due to VANKE's better financial position than VNKRLE, thus VANKE's bonds are priced much more expensive than VNKRLE's bonds. VANKE 2022 1.900% is priced less tightly than the cluster of VANKE bonds below it, which may be due to it having the lowest amount outstanding.

Overweight VNKRLE 2027 3.975% vs VNKRLE 2025 3.15%

VNKRLE 2027 3.975% trades at a slightly wider spread than VNKRLE 2025 3.15%, and is priced less expensive than VNKRLE 2025 3.15%. VNKRLE is also more geographically diversified, with operations in China and Hong Kong, while Vanke only develops property in China.

Underweight VNKRLE 2024 4.200%

With a somewhat tight spread, the pricing disparity is higher relative to other bonds, and the lower yield suggests possible overpricing.

Underweight VANKE 2021 4.03%

Maturing in 5 weeks, this bond is under the fair yield curve, but still trading at a premium. With such a short maturity, and the industry outlook for the Chinese real estate market being uncertain, it suggests possible overpricing. Many developers are defaulting, with many homes left vacant and home prices falling. Government regulations on both developers and homebuyers may also tighten any time which may make it more difficult for Vanke to profit.

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Appendix:

Pro Forma Financial Statements (3FS)

Balance Sheet

Financial Statements (RMB thousand, Financial Year End Dec. 31)	2018A	2019A	2020A	2021F	2022F	2023F	2024F	2025F
Balance Sheet								
Assets								
Non-current assets								
Investment properties	25,897,948	94,521,281	103,459,740	105,011,636	106,586,811	108,185,613	109,808,397	111,455,523
Property, plant, and equipment	22,645,383	29,697,926	31,841,854	29,479,425	32,221,011	35,217,565	38,492,799	42,072,629
Intangible assets	1,015,426	786,279	918,742	5,499,589	5,499,589	5,499,589	5,499,589	5,499,589
Interests in joint ventures and associated companies	129,527,656	130,475,768	141,895,190	148,989,950	156,439,447	164,261,419	172,474,490	181,098,215
Other Financial Assets	2,688,915	2,923,936	2,298,997	2,413,947	2,534,644	2,661,376	2,794,445	2,934,167
Other non-current assets	35,982,967	9,107,320	13,840,079	36,661,817	48,813,066	64,991,744	86,532,708	115,213,242
Deferred Tax Assets	15,749,205	23,427,586	27,535,431	(34,958,977)	(21,740,582)	(34,244,082)	(54,938,879)	-
Total non-current assets	**233,507,500**	**290,940,096**	**321,790,033**	293,097,386	330,353,986	346,573,224	360,663,550	458,273,365
Current assets								
Inventories and other contract costs	754,310,077	901,807,080	1,008,434,340	1,058,856,057	1,111,798,860	1,167,388,803	1,225,758,243	1,287,046,155
Contract assets	1,364,127	3,444,938	6,162,550	13,293,392	28,675,510	61,856,664	133,432,565	287,830,744
Trade and other receiveables	331,838,827	351,616,877	331,115,807	331,330,409	331,545,151	331,760,031	331,975,051	332,190,211
Other current assets	12,600,806	11,746,956	172,789	81,811	38,735	18,340	8,684	4,111
Assets held for sale	12,749,283	4,252,755	6,334,728	5,774,506	5,263,829	4,798,314	4,373,967	3,987,148
Pledged and restricted deposits	175,668,164	6,455,944	9,568,344	7,266,436	5,518,310	4,190,740	3,182,551	2,416,907
Cash and Cash equivalents	6,624,631	159,738,651	185,662,380	215,793,229	250,813,966	291,518,161	338,828,175	393,816,055
Total current assets	**1,295,155,915**	**1,439,063,201**	**1,547,450,938**	**1,632,395,840**	**1,733,654,360**	**1,861,531,053**	**2,037,559,237**	**2,307,291,333**
Total assets	**1,528,663,415**	**1,730,003,297**	**1,869,240,971**	**1,925,493,226**	**2,064,008,346**	**2,208,104,277**	**2,398,222,786**	**2,765,564,698**

Financial Statements (RMB thousand, Financial Year End Dec. 31)	2018A	2019A	2020A	2021F	2022F	2023F	2024F	2025F
Liabilities								
Non-current liabilities								
Bank Loans and borrowings from financial institutions	120,929,055	114,319,778	132,036,783	138,659,975	145,615,397	152,919,715	160,590,431	168,645,922
Bond Payables	47,095,146	49,645,513	43,576,223	42,092,474	40,659,245	39,274,817	37,937,529	36,645,774
Lease Liabilities	-	21,277,366	24,589,946	28,524,337	33,088,231	38,382,348	44,523,524	51,647,288
Deferred Tax Liabilities	622,971	356,175	295,348	730,019	890,830	1,104,147	1,392,588	-
Provisions	143,528	149,629	215,331	223,944	232,902	242,218	251,907	261,983
Other non-current liabilities	2,338,048	1,065,436	1,190,176	547,481	251,841	115,847	53,290	24,513
Total non-current liabilities	**171,128,748**	**186,813,897**	**201,903,807**	**210,778,230**	**220,738,447**	**232,039,093**	**244,749,268**	**257,225,480**
Current liabilities								
Trade and other payables	486,726,148	542,268,303	532,524,608	850,059,283	987,244,586	1,150,900,529	1,346,631,481	1,581,296,365
Contract Liabilities	504,711,414	577,047,227	630,747,211	932,253,428	1,082,703,487	1,262,183,692	1,476,840,310	1,734,195,470
Current Portion of Bank Loans and borrowings from financial	69,136,923	81,822,781	70,299,267	83,593,095	87,786,268	92,189,778	96,814,175	101,670,540
Bond Payables	24,046,473	13,263,025	13,689,877	27,763,025	32,243,511	37,588,531	43,981,124	51,645,304
Lease Liabilities	-	1,425,644	1,584,257	2,457,794	2,854,440	3,327,622	3,893,543	4,572,034
Current Taxation	37,292,979	56,783,304	68,647,470	88,583,508	118,952,297	151,787,599	158,966,187	187,954,863
Total Current Liabilities	**1,121,913,937**	**1,272,610,284**	**1,317,492,690**	**1,984,710,132**	**2,311,784,589**	**2,697,977,750**	**3,127,126,820**	**3,661,334,577**
Total Liabilities	**1,293,042,685**	**1,459,424,181**	**1,519,396,497**	**2,195,488,362**	**2,532,523,036**	**2,930,016,843**	**3,371,876,088**	**3,918,560,057**
Shareholders' equity								
Share capital	11,039,152	11,302,143	11,617,732	11,933,321	12,248,910	12,564,499	12,880,088	13,195,677
Reserves	144,724,980	176,756,349	212,893,221	245,859,154	284,479,442	330,705,251	386,730,625	550,130,012
Non-controlling interests	79,856,598	82,520,624	125,333,521	125,333,521	125,333,521	125,333,521	125,333,521	125,333,521
Total shareholders' equity	**235,620,730**	**270,579,116**	**349,844,474**	**383,125,996**	**422,061,873**	**468,603,271**	**524,944,234**	**688,659,210**
Total liability and shareholders' equity	**1,528,663,415**	**1,730,003,297**	**1,869,240,971**	**2,578,614,357**	**2,954,584,908**	**3,398,620,114**	**3,896,820,323**	**4,607,219,268**

Income Statement

Financial Statements (RMB thousand, Financial Year End Dec. 31)	2018A	2019A	2020A	2021F	2022F	2023F	2024F	2025F
Income Statement								
Revenues	**297,083,058**	**367,893,878**	**419,111,678**	**463,046,899**	**537,774,898**	**626,922,065**	**733,541,230**	**861,368,605**
Cost of sales	(187,130,999)	(235,697,218)	(298,531,477)	(305,610,953)	(354,931,433)	(413,768,563)	(484,137,212)	(568,503,279)
Gross profit	**109,952,059**	**132,196,660**	**120,580,201**	**157,435,946**	**182,843,465**	**213,153,502**	**249,404,018**	**292,865,326**
Other net income	3,585,145	5,686,668	8,842,204	13,882,260	21,795,149	34,218,383	53,722,862	84,344,893
Selling and marketing expenses	(7,868,076)	(9,044,497)	(10,636,900)	(13,891,407)	(16,133,247)	(18,807,662)	(22,006,237)	(25,841,058)
Administrative and other operating expenses	(16,702,735)	(17,257,667)	(16,012,052)	(23,152,345)	(26,888,745)	(31,346,103)	(36,677,061)	(43,068,430)
Operating profit	**88,966,393**	**111,581,164**	**102,773,453**	**134,274,454**	**161,616,622**	**197,218,120**	**244,443,582**	**308,300,730**
Financing costs	(8,181,336)	(9,255,269)	(8,757,580)	652,899	-	-	-	-
Share of profits less losses of associates and joint ventures	6,279,911	3,790,598	9,739,656					
Profit before tax	**87,064,968**	**106,116,493**	**103,755,529**	**134,927,353**	**161,616,622**	**197,218,120**	**244,443,582**	**308,300,730**
Tax expense	(37,792,673)	(50,984,878)	(44,457,413)	(72,727,480)	(88,748,154)	(109,999,612)	(138,735,329)	-
Profit for the year	**49,272,295**	**55,131,615**	**59,298,116**	**62,199,873**	**72,868,468**	**87,218,509**	**105,708,253**	**308,300,730**

Supporting Schedule

Supporting Schedules (RMB thousand, Financial Year End Dec. 31)	2018A	2019A	2020A	2021F	2022F	2023F	2024F	2025F
Investment Properties								
Investment Properties								
Value at beginning of period	17,046,197	25,897,948	94,521,281	103,459,740	105,011,636	106,586,811	108,185,613	109,808,397
Additions	1,965,583	2,081,397	2,402,766	1,034,597	1,050,116	1,065,868	1,081,856	1,098,084
Disposals	47,552	96,122	62,313	517,299	525,058	532,934	540,928	549,042
Changes in fair value				-	-	-	-	-
Value at end of period	**25,897,948**	**94,521,281**	**103,459,740**	**105,011,636**	**106,586,811**	**108,185,613**	**109,808,397**	**111,455,523**
Additions as % of beginning balance	11.5%	8.0%	2.5%	1.0%	1.0%	1.0%	1.0%	1.0%
Disposals as % of beginning balance	0.3%	0.4%	0.1%	0.5%	0.5%	0.5%	0.5%	0.5%
Changes in fair value	-	-	-	-	-	-	-	-

Supporting Schedules *(RMB thousand, Financial Year End Dec. 31)*	2018A	2019A	2020A	2021F	2022F	2023F	2024F	2025F
Property, Plant, and Equipment & Right of-use Assets								
Property, Plant, and Equipment								
Net book value at beginning of period	10,734,770	22,645,383	24,630,658	26,971,111	29,479,425	32,221,011	35,217,565	38,492,799
Additions	1,965,583	2,081,397	2,402,766	2,589,227	2,830,025	3,093,217	3,380,886	3,695,309
Disposals	(47,552)	(96,122)	(62,313)	(80,913)	(88,438)	(96,663)	(105,653)	(115,478)
Accumulated depreciation	N.A.							
Net book value at end of period	22,645,383	**24,630,658**	**26,971,111**	**29,479,425**	**32,221,011**	**35,217,565**	**38,492,799**	**42,072,629**
Additions as % of beginning balance	N.A.	9.2%	9.8%	9.6%	9.6%	9.6%	9.6%	9.6%
Disposals as % of beginning balance	N.A.	-0.4%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%
Depreciation as % of beginning balance	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Intangible Assets								
Intangible Assets								
Net book value at beginning of period	1,096,273	1,015,426	3,096,823	5,499,589	5,499,589	5,499,589	5,499,589	5,499,589
Additions	1,965,583	2,081,397	2,402,766	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Net book value at end of period	**1,015,426**	**3,096,823**	**5,499,589**	**5,499,589**	**5,499,589**	**5,499,589**	**5,499,589**	**5,499,589**
Additions as % of beginning balance	N.A.	205.0%	77.6%	100.0%	100.0%	100.0%	100.0%	100.0%
Disposals as % of beginning balance	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Non-current Assets								
Interests in joint ventures and associated companies	129,527,656	130,475,768	141,895,190	148,989,950	156,439,447	164,261,419	172,474,490	181,098,215
Other Investments	2,688,915	2,923,936	2,298,997	2,413,947	2,534,644	2,661,376	2,794,445	2,934,167
Deferred tax assets	35,982,967	9,107,320	13,840,079	(34,958,977)	(21,740,582)	(34,244,082)	(54,938,879)	-
Other non-current assets	15,749,205	23,427,586	27,535,431	36,661,817	48,813,066	64,991,744	86,532,708	115,213,242
Interests in joint ventures and associated companies % change	N.A.	0.7%	8.8%	5%	5%	5%	5%	5%
Other Investments % change	N.A.	8.7%	-21.4%	5%	5%	5%	5%	5%
Deferred tax assets days	348	65	114	175	89	114	145	126
Change in other non-current assets % change	N.A.	48.8%	17.5%	33%	33%	33%	33%	33%

Supporting Schedules *(RMB thousand, Financial Year End Dec. 31)*	2018A	2019A	2020A	2021F	2022F	2023F	2024F	2025F
Other Current Assets								
Inventories and other contract costs	754,310,077	901,807,080	1,008,434,340	1,058,856,057	1,111,798,860	1,167,388,803	1,225,758,243	1,287,046,155
Contract assets	1,364,127	3,444,938	6,162,550	13,293,392	28,675,510	61,856,664	133,432,565	287,830,744
Trade and other receiveables	331,838,827	351,616,877	331,115,807	331,330,409	331,545,151	331,760,031	331,975,051	332,190,211
Other current assets	12,600,806	11,746,956	172,789	81,811	38,735	18,340	8,684	4,111
Assets held for sale	12,749,283	4,252,755	6,334,728	5,774,506	5,263,829	4,798,314	4,373,967	3,987,148
Pledged and restricted deposits	175,668,164	6,455,944	9,568,344	7,266,436	5,518,310	4,190,740	3,182,551	2,416,907
Cash and Cash equivalents	6,624,631	159,738,651	185,662,380	215,793,229	250,813,966	291,518,161	338,828,175	393,816,055
Inventories and other contract costs % change	N.A.	19.6%	11.8%	5%	5%	5%	5%	5%
Contract assets of total assets % change	N.A.	152.5%	78.9%	116%	116%	116%	116%	116%
Trade and other receiveables % change	N.A.	6.0%	-5.8%	0%	0%	0%	0%	0%
Other current assets % change	N.A.	-6.8%	-98.5%	-53%	-53%	-53%	-53%	-53%
Assets held for sale % change	N.A.	-66.6%	49.0%	-9%	-9%	-9%	-9%	-9%
Pledged and restricted deposits % change	N.A.	-96.3%	48.2%	-24%	-24%	-24%	-24%	-24%
Cash and Cash equivalents % change	N.A.	2311.3%	16.2%	16%	16%	16%	16%	16%
Non-current Liabilities								
Bank Loans and borrowings from financial institutions	120,929,055	114,319,778	132,036,783	138,659,975	145,615,397	152,919,715	160,590,431	168,645,922
Bond Payables	47,095,146	49,645,513	43,576,223	42,092,474	40,659,245	39,274,817	37,937,529	36,645,774
Lease Liabilities	-	21,277,366	24,589,946	28,524,337	33,088,231	38,382,348	44,523,524	51,647,288
Deferred Tax Liabilities	622,971	356,175	295,348	730,019	890,830	1,104,147	1,392,588	-
Provisions	143,528	149,629	215,331	223,944	232,902	242,218	251,907	261,983
Other non-current liabilities	2,338,048	1,065,436	1,190,176	547,481	251,841	115,847	53,290	24,513
Bank Loans and borrowings from financial institutions change		-5%	15%	5%	5%	5%	5%	5%
Bond Payables Change		5%	-12%	-3%	-3%	-3%	-3%	-3%
Lease Liabilities change		-	16%	16%	16%	16%	16%	16%
Deferred Tax Liabilities days	6.02	2.55	2.42	3.66	3.66	3.66	3.66	3.66
Provisions		4%	44%	4%	4%	4%	4%	4%
Other non-current liabilities change		-54%	12%	-54%	-54%	-54%	-54%	-54%

Supporting Schedules *(RMB thousand, Financial Year End Dec. 31)*	2018A	2019A	2020A	2021F	2022F	2023F	2024F	2025F
Current Liabilities								
Trade and other payables	486,726,148	542,268,303	532,524,608	850,059,283	987,244,586	1,150,900,529	1,346,631,481	1,581,296,365
Contract Liabilities	504,711,414	577,047,227	630,747,211	932,253,428	1,082,703,487	1,262,183,692	1,476,840,310	1,734,195,470
Current Portion of Bank Loans and borrowings from financial institutions	69,136,923	81,822,781	70,299,267	83,593,095	87,786,268	92,189,778	96,814,175	101,670,540
Bond Payables	24,046,473	13,263,025	13,689,877	27,763,025	32,243,511	37,588,531	43,981,124	51,645,304
Lease Liabilities	-	1,425,644	1,584,257	2,457,794	2,854,440	3,327,622	3,893,543	4,572,034
Current Taxation	37,292,979	56,783,304	68,647,470	88,583,508	118,952,297	151,787,599	158,966,187	187,954,863
Trade and other payables days	949	1,058	1,039	1,015	1,015	1,015	1,015	1,015
Contract Liabilities days	984	1,126	1,230	1,113	1,113	1,113	1,113	1,113
Current Portion of Bank Loans and borrowings from financial institutions	36%	42%	35%	38%	38%	38%	38%	38%
Bond Payables days	47	26	27	33	33	33	33	33
Lease Liabilities days	N.A	3	3	3	3	3	3	3
Current Taxation	73	111	134	106	122	134	120	121
Shareholders' Equity								
Share capital	11,039,152	11,302,143	11,617,732	11,933,321	12,248,910	12,564,499	12,880,088	13,195,677
Reserves	144,724,980	176,756,349	212,893,221	245,859,154	284,479,442	330,705,251	386,730,625	550,130,012
Non-controlling interests	79,856,598	82,520,624	125,333,521	125,333,521	125,333,521	125,333,521	125,333,521	125,333,521
Share capital change	N.A.	262,991	315,589	315,589	315,589	315,589	315,589	315,589
Reserves change	N.A.	32,031,369	36,136,872	32,965,933	38,620,288	46,225,810	56,025,374	163,399,387
Non-controlling interests change	N.A.	(162,377,222)	(207,854,145)					
Dividends paid	23,899,200	25,675,400	27,242,000	29,233,940	34,248,180	40,992,699	49,682,879	144,901,343
Dividend payout ratio	49%	47%	46%	47%	47%	47%	47%	47%

Debt Schedule

Debt Schedule *(RMB thousand, Financial Year End Dec. 31)*	2018A	2019A	2020A	2021F	2022F	2023F	2024F	2025F	2026F	2027F
	31/12/18	31/12/19	31/12/20	31/12/21	31/12/22	31/12/23	31/12/24	31/12/25	31/12/26	31/12/27
Debt Schedule Overview										
Debt balance by borrowing type										
Short-term borrowings	24,100,700	15,865,200	25,111,500	-	-	-	-	-	-	-
Current portion of long-term borrowings	70,438,200	79,220,600	58,877,600	1,908	350,000	640,000	368,100	-	530,000	110,000
Long-term borrowings	168,024,200	185,242,700	200,203,000	1,998,100	1,648,100	1,008,100	640,000	640,000	110,000	-
Total borrowings	**262,563,100**	**280,328,500**	**284,192,100**	**2,000,008**	**1,998,100**	**1,648,100**	**1,008,100**	**640,000**	**640,000**	**110,000**
Debt balance by maturity										
Less than 1 year				1,908	350,000	640,000	368,100	-	530,000	110,000
Between 1-2 years				350,000	640,000	368,100	-	530,000	110,000	-
Between 2-5 years				1,008,100	898,100	640,000	640,000	110,000	-	-
Over 5 years				640,000	110,000	-	-	-	-	-
Total borrowings				**2,000,008**	**1,998,100**	**1,648,100**	**1,008,100**	**640,000**	**640,000**	**110,000**
Total interest payments				**725,180**	**70,911**	**57,810**	**35,213**	**24,229**	**24,229**	**4,378**
Average funding cost				**36.3%**	**3.5%**	**3.5%**	**3.5%**	**3.8%**	**3.8%**	**4.0%**

Debt Schedule *(RMB thousand, Financial Year End Dec. 31)*	2021F	2022F	2023F	2024F	2025F	2026F	2027F
Long-term Borrowings							
Notes maturity							
Less than 1 year	1,908	350,000	640,000	368,100	-	530,000	110,000
Between 1-2 years	350,000	640,000	368,100	-	530,000	110,000	-
Between 2-5 years	1,008,100	898,100	640,000	640,000	110,000	-	-
Over 5 years	640,000	110,000	-	-	-	-	-
Total Notes	**2,000,008**	**1,998,100**	**1,648,100**	**1,008,100**	**640,000**	**640,000**	**110,000**
Maturity (years)							
1	1,908	350,000	640,000	368,100	-	530,000	110,000
2	350,000	640,000	368,100	-	530,000	110,000	-
3	640,000	368,100	-	530,000	110,000	-	-
4	368,100	-	530,000	110,000	-	-	-
5	-	530,000	110,000	-	-	-	-
Over 5 years	640,000	110,000	-	-	-	-	-
Total Notes	**2,000,008**	**1,998,100**	**1,648,100**	**1,008,100**	**640,000**	**640,000**	**110,000**

Debt Schedule *(RMB thousand, Financial Year End Dec. 31)*	2021F	2022F	2023F	2024F	2025F	2026F	2027F
Coupon Payment							
17 Vanke 01	36.2	-	-	-	-	-	-
18 Vanke 01	6,075.0	6,075.0	-	-	-	-	-
18 Vanke 02	8,360.0	8,360.0	-	-	-	-	-
19 Vanke 01	7,300.0	7,300.0	7,300.0	-	-	-	-
19 Vanke 02	8,875.0	8,875.0	8,875.0	-	-	-	-
20 Vanke 01	4,530.0	4,530.0	4,530.0	4,530.0	-	-	-
20 Vanke 02	3,420.0	3,420.0	3,420.0	3,420.0	3,420.0	3,420.0	-
20 Vanke 03	2,560.0	2,560.0	2,560.0	2,560.0	-	-	-
20 Vanke 04	5,175.0	5,175.0	5,175.0	5,175.0	5,175.0	5,175.0	-
20 Vanke 05	2,560.0	2,560.0	2,560.0	2,560.0	-	-	-
20 Vanke 06	4,680.0	4,680.0	4,680.0	4,680.0	4,680.0	4,680.0	-
20 Vanke 07	1,333.5	-	1,333.5	1,333.5	-	-	-
20 Vanke 08	6,576.0	6,576.0	6,576.0	6,576.0	6,576.0	6,576.0	-
21 Vanke 01	6,422.0	6,422.0	6,422.0	-	-	-	-
21 Vanke 02	4,378.0	4,378.0	4,378.0	4,378.0	4,378.0	4,378.0	4,378.0
Total Coupon Payment	**72,281**	**70,911**	**57,810**	**35,213**	**24,229**	**24,229**	**4,378**