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China Vanke Co., Ltd

2008 Annual Results Announcement

Important Notice: The Board of Directors (the "Board") of China Vanke Co., Ltd. (the "Company") and its subsidiaries (the "Group") is pleased to announce the annual results of 2008 which were in accordance with the International Financial Reporting Standards ("IFRSs").

Three-year financial information summary (Unit: RMB)

	2008	2007	2006(restated)
Revenue	38,619,214,077	33,486,560,759	16,904,430,653
Operating profit	8,844,809,759	9,848,471,908	4,141,671,432
Share of losses less profits of associates and jointly controlled entities	209,735,863	128,643,367	60,098,192
Profit before income tax	8,420,227,338	9,628,685,644	4,062,295,632
Taxation	-3,780,358,185	-4,311,184,826	-1,639,298,581
Profit for the year	4,639,869,153	5,317,500,818	2,422,997,051
Profit attributed to minority	-606,699,125	-473,265,324	-125,113,285
Profit attributed to Equity shareholders of the Company	4,033,170,028	4,844,235,494	2,297,883,766
Basic earnings per share	0.37	0.45	0.24
Diluted earnings per share	0.37	0.45	0.24
Dividend	0.05	0.10	0.15

Profit Appropriation and Dividend Distribution Proposal

According to the relevant rules and requirements of the Company's Articles of Association, and considering shareholders' interests and the Company's development requirements in the long run, the Board of the Directors submitted the following profit appropriation proposal for the year 2008:

Dividend distribution proposal：A cash dividend of RMB 0.5 (before tax) will be distributed for every 10 existing shares held. Based on the total share capital of 10,995,210,218 shares as at 31 December 2008, the total amount of cash dividends for distribution for 2008 will be RMB 549,760,510.90.

Summary of Management Discussion and Analysis

Business Review

The Company's revenue and net profit for 2008 amounted to RMB38.62 billion and RMB4.03 billion respectively, representing a 15.3% increase and a 16.7% decrease from that of the previous year respectively. The reasons that revenue increased while net profit declined are listed below. The management had kept reviewing and reflecting on this situation during the past year, and will diligently deal with and improve the situation in the future development of the Company.

The Company's net profit in 2008 decreased by RMB811.07 million, when compared with that of 2007, which was basically the same as the impact from provision for diminution in value of inventory. During the year under review, there was significant adjustment in the market price for housing and land premium. Pursuant to prudent financial strategy, the Company made a provision for diminution in value of inventory of RMB1,230.56 million for 13 projects exposed to risks according to market conditions. After taking into account the deferred tax factor, the aforesaid provision for diminution in value of inventory will affect the net profit after tax by RMB922.92 million and the net profit attributable to the equity shareholders of the Company by RMB891.13 million for the year under review. Although the foregoing provision was made pursuant to prudent financial strategy, it partly reflected that the Company was paying a relatively high land premium for the above-mentioned projects it acquired.

Apart from the impact of provision for diminution in value of inventory, the Company's booked gross margin of 2008 decreased by 3.03 percentage points when compared with that of 2007. The average booked price in 2008 was basically the same as that of 2007, while per unit booked cost increased by RMB290, per unit land cost increased by RMB244, and other per unit costs increased by RMB46. Of the booked projects in 2008, the proportion of fully-fitted units increased over 2007. As such, by merely referring to numbers, the increase of RMB46 in per unit costs excluding land premium was not significant. However, when considering the fact that ordinary housing as a percentage of the Company's booked projects in 2008 was higher than that in the past years, it still reflected that the Company had shortcomings in its cost management in a bull market.

During the year under review, the Company realised sales area and sales amount of 5.57 million sq m and RMB47.87 billion respectively, representing decreases of 9.2% and 8.6% from those of 2007 respectively. As at the end of 2008, the Company's share in China's residential property market was 2.34%, which slightly rose over that at the beginning of the year. In nine cities, including Shenzhen, Shanghai, Tianjin, Foshan, Xiamen, Shenyang, Wuhan, Zhenjiang and Anshan, China Vanke had the largest market share. In Hangzhou, Suzhou, Wuxi, Dongguan, and Zhuhai, the Company had the second largest market share. And the third largest market share in Zhongshan and Chengdu.

The Company's booked area and booked revenue amounted to 4.514 million sq m and RMB38.18 billion, representing increases of 14.6% and 15.2% from those of the previous year respectively. At the end of the report period, the Company still had an area of 3.46 million sq m sold but not yet booked, which involved a contract amount of RMB27.34 billion.

Given the significant decline in the market transaction volume, and in order to match its launch plans with sales progress, maintain reasonable inventory level, as well as to provide itself with sufficient time to fine-tune its product mix in accordance with the mainstream demand of home purchasers at the time, the Company reduced the area for newly commenced construction and completed area during the interim period and third quarter of 2008 respectively. The Company adjusted its planned area for newly commenced construction for the full year from 8.48 million sq m at the beginning of the year to 5.7 million sq m for the year under review. The planned completed area was adjusted from 6.89 million sq m at the beginning of the year to 5.86 million sq m for the year under review. As at the end of the year under review, the Company's actual area of newly commenced construction was 5.233 million sq m, representing a 32.6% decrease from that of 2007 and a 38.3% decrease from the planned area of the beginning of the year; the Company's actual completed area amounted to 5.294 million sq m, representing a 18.9% increase from that of 2007 and a 23.2% decrease from the planned area of the beginning of the year. The Company's land development area was in line with its sales area for the full year.

Starting from its 2007 interim report, China Vanke slowed down its pace in acquiring projects. Due to market uncertainty, the Company continued to adopt a prudent approach in acquiring projects in 2008. During the year under review, the Company's total planned GFA of newly added projects in the proportion to China Vanke's equity holding was 4.65 million sq m, which was lower than the areas of 9.34 million sq m acquired in 2007. 84.5% of the total planned GFA of newly added projects in proportion to China Vanke's equity holding was secured through acquisition of companies or collaboration. The total land premium for the newly added projects for the full year was RMB13.61 billion. The average cost of land was approximately RMB2,003 per sq m, which was significantly lower than the land premium of 2007. As at the end of 2008, the GFA of the projects under planning in proportion to China Vanke's equity holding amounted to 17.93 million sq m.

As at the end of the year, the Company's resources that could be booked in the future included RMB7.89 billion of completed properties, accounting for 9.1%; RMB 34.13 billion of planned development products (corresponding to the Company's projects under planning), accounting for 39.5%; RMB44.34 billion of products under development (Including resource under development but not sold and resource sold but yet booked) accounting for 51.3%

As at the end of the year under review, the cash and cash equivalents held by the Company amounted to RMB19.98 billion, representing an increase of 17.2% when compared to that at the beginning of the year. The net gearing ratio was 33.1%, representing an increase of 9.7 percentage points when compared with that at the beginning of the year, and a decrease of 4.1 percentage point when compared with that at the end of the interim period. The aggregate amount of the Company's short-term borrowings and long-term borrowings due within one year was RMB17.87 billion. Against a credit crunch in the industry, the Company's financial position remained sound. In addition, the Company insisted on a stable operation strategy. Over the years, the Company has established excellent credibility and cooperative relationship in the financial community and such relationship stems from mutual understanding and trust. As such, the Company has a wide range of sources of funding. In September, the Company successfully issued RMB5.9 billion corporate bonds, which further strengthened its financial capacity.

Future development prospectus

In 2009, on the one hand, the Company will strive to facilitate growth in results, while ensuring healthy operation; on the other hand, the Company will review on its shortcomings as revealed under a bull market condition, and make the best effort to enhance its professionalism and organisational efficiency, as well as to promote technical innovation, thereby laying the foundation for long-term development.

One of the major directions of the Company's development strategy in 2009 is to improve China Vanke product's competitiveness. Product's competitiveness encompasses the various core business capabilities involved in the process of development, including identifying prospective customers, product design, marketing, project quality, and cost management.

The Company will make use of the customer satisfaction survey, market research, property management and online complaint system to adjust and optimize its existing product classification and customer segmentation.

Product design is the Company's traditional advantage. In 2009, the Company will maintain and enhance this advantage through design innovation, standardisation, prefabrication, full furbishings and technology research.

Continued improvement of project quality relies on pragmatic culture in quality control. In 2009, the Company requires its project control system to swift its focus from institutions, workflow and regulation to on-site management and quality control. The Company will fine-tune its on-site management duties, roles of supervisory companies and composition of project management team.

Housing prices in 2008 in major cities generally declined. Much of the resources booked in 2009 came from the sales achieved in 2008. It is expected that there could be a significant decrease in the gross margin of the housing industry in 2009. Against a backdrop of low gross margin, cost management becomes more important than ever. In 2009, the Company will step up its effort to optimise its cost control. First and foremost is to conduct continued review on each process of development. Through horizontal comparison within the Group, the Company will be able to lower some of the excessive high costs to a reasonable level; and through comparing its costs with those of other companies in the industry with similar size and brand equity, the Company will be able to create a motivate to further improve its cost control. Since a wide range of products and processes are used in projects across different cities, the Company, in order to facilitate management and conduct cost evaluation, will regulate through a standardisation approach. Based on this, the Company will determine the selection of products and process standard that are most economical and establish a group purchase system, in order to maximise the benefits of economies of scale. With respect to furbished units, the Company will ensure a more reasonable cost of furnishing in response to the problem of inconsistency between the standard of furnishing and the price of project that exists in certain projects. To do this, the Company will set benchmarks such as furnishing cost/sales rate. Given that there was a relatively large gap in time between cost input and final settlement, the results of the efforts made will only be better reflected in the next two or three years.

In 2009, the Company will strengthen its control over expenses for the period to enhance operational efficiency. With respect to administrative expenses, we have adopted measures that can increase productivity and simplify management. These measures include implementation of stringent control of expense budget and strict execution and supervision of information feedback. On the front of sales management, the Company has started to strengthen market and customers research, and optimise its advertisement costs and sales channels, in order to further lower sales expenses. The Company aims at lowering its administrative expenses as a percentage of booked revenue and operational expenses as a percentage of booked revenue in 2009 by 20% when compared with that of 2008. Regarding financial management, the Company will lower financial expenses and capitalised interest through enhancing capital usage efficiency and the selection of source of funding.

With respect to project acquisition, the Company will remain cautious, while timely capturing the opportunities arising from industry consolidation. On the front of development, the Company will insist on matching its pace of development with its sales progress, and product type with market demand. It will also insist on building inventory based on sales, strengthening the management of newly commenced construction of projects and newly launched projects, to ensure products are selling at an appropriate pace.

As an important part of China Vanke's future competitive advantage, prefabrication technology will be actively studied and developed and implemented by China Vanke in 2009. The Company will actively push ahead with the research and application of prefabrication and energy saving by selecting appropriate projects based on standardised products.

The industry will continue to face credit crunch in 2009. While the market adjustment brought along with it challenges, it has also created the opportunities for enterprises to obtain relatively price competitive and quality resources for future development. As such, the Company will further expand its source of funding, and will consider equity financing if conditions allow. As mentioned before, the Company remains highly cautious about this issue and will take full account of the level of acceptance by the capital market and investors. Equity financing will be put on the agenda only when it gains wide recognition from shareholders in general. In addition, the Company will also consider the timing, scope and method of financing, so as to avoid causing any great negative impact on the security market, while ensuring the financing exercise will lead to profit growth.

Business Development Plan for the Year 2009

The Company will insist on matching its pace of development with its sales progress, and product type with market demand. The planned area for newly commenced construction for 2009 will be approximately 4.03 million sq m, representing approximately 23% decrease from the actual area achieved in 2008. The planned completed area for 2009 will be approximately 6.19 million sq m, representing approximately 17% increase from that of 2008. In view of market uncertainties in 2009, the Company currently has sufficient resources available for sale. With respect to project development, the Company insists that a prudent approach will help enhance the Company's security and flexibility amid industry consolidation. The Company will also adjust its pace of development according to changes in market conditions, so that the Company can increase the area for newly commenced construction any time the market sales show signs of recovery.

Board of Directors
China Vanke Co., Ltd.
Shenzhen, 10 March 2009