



# Vanke Property (Overseas) Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01036)

# 2014 Interim Report

For the six months ended 30 June 2014



This interim report is printed on environmentally friendly paper

# Contents

Corporate Information	2
Management Discussion and Analysis	3
Report on Review of Interim Financial Information	7
Consolidated Statement of Comprehensive Income	8
Consolidated Balance Sheet	9
Consolidated Statement of Changes in Equity	10
Condensed Consolidated Cash Flow Statement	11
Notes to the Unaudited Interim Financial Information	12
Other Information	21

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

ZHANG Xu  
QUE Dong Wu

### Non-Executive Directors

WANG Wen Jin  
CHAN Chi Yu

### Independent Non-Executive Directors

CHAN Wai Hei, William  
CHUNG Wai Sum, Patrick  
SHIUM Soon Kong

## AUDIT COMMITTEE

CHAN Wai Hei, William (*Chairman*)  
WANG Wen Jin  
CHUNG Wai Sum, Patrick

## REMUNERATION COMMITTEE

SHIUM Soon Kong (*Chairman*)  
QUE Dong Wu  
CHAN Wai Hei, William

## NOMINATION COMMITTEE

CHUNG Wai Sum, Patrick (*Chairman*)  
ZHANG Xu  
SHIUM Soon Kong

## CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

LUK Chi Chung, Peter

## AUDITOR

KPMG

## LEGAL ADVISORS TO THE COMPANY

Reed Smith Richards Butler (*as to Hong Kong law*)  
Maples and Calder (*as to Cayman Islands law*)

## PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

## REGISTERED OFFICE

P.O. Box 309, Ugland House  
Grand Cayman KY1-1104  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS

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## WEBSITE

<http://www.vankeoverseas.com>

## HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
Shops 1712–1716, 17th Floor, Hopewell Centre  
183 Queen's Road East  
Wan Chai  
Hong Kong

# Management Discussion and Analysis

## BUSINESS REVIEW

The Group's unaudited turnover for the six months ended 30 June 2014 (the "Period") was HK\$43 million, compared to HK\$41 million for the same period last year. The increase was mainly due to strong leasing performance of Regent Centre during the Period.

The Group's investment in Regent Centre was fair valued at HK\$1,449 million as at 30 June 2014 (31 December 2013: HK\$1,385 million), resulting in a fair value gain of HK\$65 million in the first half of the financial year. Excluding the change in fair value of Regent Centre, the Group's underlying profit for the Period was HK\$12 million, comparing to HK\$15 million for the same period last year. The decrease was mainly due to increase in borrowing costs to finance the acquisition of a 20% interest in a West Rail property development project of a land lot situated at the Tsuen Wan Town Lot No.402 (the "TW6 Project") in August 2013.

## Rental and property management

The Group's investment properties comprise various portions of Regent Centre (the "Property"), which is located at 63 Wo Yi Hop Road and 70 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong. The Group owns a total gross floor area of 657,000 square feet, representing approximately 64% of the total gross floor area in Regent Centre.

During the Period, the Group renewed a majority of the leases at a positive rental reversion. Occupancy of the Property was maintained at a high level of 96% as at 30 June 2014 (31 December 2013: 97%) against an increase in passing rent to HK\$8.5 per square foot as at 30 June 2014 (31 December 2013: HK\$8.3 per square foot).

Segment profit after deducting property management fees, carpark management expenses, leasing commission and other operating expenses but before change in fair value of investment properties amounted to HK\$32 million for the Period (six months ended 30 June 2013: HK\$30 million).

## Property development

In August 2013, the Group completed the acquisition of a 20% interest in the TW6 Project from Vanke Property (Hong Kong) Company Limited ("Vanke HK") at a final consideration of HK\$727.9 million, of which HK\$577.9 million was paid out of the Group's available financial resources at the time of completion and the remaining HK\$150 million was deferred until partial repayment of the shareholder's loan from Ultimate Vantage Limited ("Ultimate Vantage"), the company which has been granted the right to develop the TW6 Project by the legal owner of the relevant land lot forming the subject matter of the TW6 Project.

On 22 April 2014, the Company, New World Development Company Limited (the "JV Partner" which, through its wholly-owned subsidiary, holds 80% shareholding interest in Ultimate Vantage) together with other relevant parties entered into a shareholders' agreement (the "Shareholders' Agreement") to regulate the relationship of the shareholders of Ultimate Vantage inter se and the management of affairs of Ultimate Vantage. Pursuant to the Shareholders' Agreement, the Company and the JV Partner agreed that a non-defaulting party would have the right to acquire all the interest in Ultimate Vantage represented by the defaulting party and its affiliates upon the occurrence of certain events of default. In the event that the Company or any of its affiliates defaults, the discretion to acquire the interest in Ultimate Vantage belongs solely to the JV Partner. Accordingly, the grant of such default call right to the JV Partner constituted a major transaction for the Company under the Listing Rules and was approved by Wkland Investments Company Limited ("Wkland Investments"), the immediate holding company of the Company, by way of written shareholders' approval in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. Further details of this transaction are set out in the Company's announcement dated 22 April 2014 and the Company's circular dated 15 May 2014.

# Management Discussion and Analysis *(continued)*

## BUSINESS REVIEW *(continued)*

### Property development *(continued)*

On 30 June 2014, Ultimate Vantage obtained committed term loan facilities of up to HK\$4,800 million from a syndicate of financial institutions (the "TW6 Loan Facilities") for the purposes of (a) refinancing up to approximately 50% of the premium paid by Ultimate Vantage in respect of the TW6 Project, (b) partially financing or refinancing the construction costs relating to the residential portion of the TW6 Project and (c) partially financing or refinancing the construction costs relating to the government accommodation portion of the TW6 Project. In relation to the TW6 Loan Facilities, the Company and the JV Partner were required to provide corporate guarantees, on a several basis and in proportion to their respective shareholding interests in Ultimate Vantage, in respect of Ultimate Vantage's obligations under the TW6 Loan Facilities. The Company has accordingly been guaranteeing, among others, repayment of the principal amount of the TW6 Loan Facilities up to HK\$960 million (the "Corporate Guarantee"). The provision of the Corporate Guarantee constituted a major transaction for the Company under the Listing Rules and was approved by Wkland Investments by way of written shareholders' approval in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. Further details of the transaction are set out in the Company's announcement dated 30 June 2014 and the Company's circular dated 22 July 2014.

The TW6 Project involves, among other things, construction of residential buildings with a total gross floor area of no more than 675,000 square feet, of which no less than 520 residential units shall each be in the size of not exceeding 50 square meters in saleable area, and a government accommodation portion as constituted by a sports centre with a gross floor area of 129,000 square feet and various parking spaces. As at the date hereof, the construction of the TW6 Project has been progressed to the foundation stage according to schedule and it is expected that the entire project can be completed with the issue of certificate of compliance in 2018.

Segment loss, as a result of the Group's share of loss in Ultimate Vantage, amounted to approximately HK\$8,000 for the Period (six months ended 30 June 2013: nil).

## FINANCIAL REVIEW

### Gearing

The Group's gearing, calculated as a percentage of total liabilities of HK\$726 million (31 December 2013: HK\$720 million) to total assets of HK\$2,217 million (31 December 2013: HK\$2,143 million), was 33% as at 30 June 2014 (31 December 2013: 34%).

### Liquidity and debt maturity profile

The Group's bank balances and cash amounted to HK\$28 million as at 30 June 2014 (31 December 2013: HK\$21 million). Together with undrawn banking facilities of HK\$70 million, the Group's available cash resources amounted to HK\$98 million as at 30 June 2014 (31 December 2013: HK\$91 million).

The Group's total interest-bearing debts amounted to HK\$672 million as at 30 June 2014 (31 December 2013: HK\$672 million), of which HK\$150 million is repayable to Vanke HK and the balance of HK\$522 million, having a current portion of HK\$9 million due in December 2014 and the remaining balance of HK\$513 million due in December 2015, is repayable to a financial institution.

### Treasury policies

The Group operates in Hong Kong and all its assets and liabilities are denominated in Hong Kong dollar. As a result, it has no exposure to foreign exchange rate fluctuation.

The Group's interest-bearing debts carry interest at floating rate. The Group reviews its interest rate exposure on a regular basis and, if appropriate, will consider entering into interest rate swap contracts to hedge the exposure to the extent required.

# Management Discussion and Analysis *(continued)*

## FINANCIAL REVIEW *(continued)*

### Capital commitments

The Group had no significant capital commitments as at 30 June 2014 (31 December 2013: nil).

### Contingent liabilities and financial guarantees

The Group had a contingent liability of HK\$960 million as at 30 June 2014 (31 December 2013: nil) in respect of the Corporate Guarantee.

### Pledge of assets

The Group's investment properties with a carrying value of HK\$1,449 million as at 30 June 2014 (31 December 2013: HK\$1,385 million) were pledged to secure banking facilities of the Group.

### Significant investments held, material acquisitions and disposals of subsidiaries and associates

There were no other significant investments held, material acquisitions or disposals of subsidiaries or associates during the Period.

### Subsequent event

Subsequent to the end of the Period, Ultimate Vantage drew down HK\$1,717 million from the land portion of the TW6 Loan Facilities to repay certain shareholders' loans to its shareholders on a pro rata basis in proportion to their respective shareholding interests. The portion attributable to the Company amounted to HK\$343 million and has been applied by the Company for repayment of the interest-bearing advance of HK\$150 million from Vanke HK and repayment of the revolving portion of the Group's bank borrowings to the extent of HK\$190 million, with the remaining balance of HK\$3 million being retained as bank balances and cash.

### Changes since 31 December 2013

Save as disclosed, there were no other significant changes in the Group's financial position or from the information disclosed under Management Discussion and Analysis in the annual report of the Company for the year ended 31 December 2013.

## EMPLOYEES

The Group had three employees as at 30 June 2014 (31 December 2013: two).

Vanke HK, an intermediate holding company of the Company, provides administrative and management services to the Group on a cost basis pursuant to the terms of a management agreement dated 19 July 2013 entered into between Vanke HK and the Company. Total fee payable by the Group for such services reduced to HK\$942,000 for the Period (six months ended 30 June 2013: HK\$2,050,000), as a result of the transfer of employees from Vanke HK to the Group at the beginning of the Period.

The Executive Directors will review the organisational structure of the Group from time to time to ensure that it is optimal to the business needs of the Group. Should there be employees recruited under the Group, their remuneration and benefit packages will be structured on market terms with regard to individual responsibility and performance. All eligible employees in Hong Kong are enrolled to a defined contribution mandatory provident fund scheme. Other employment benefits are awarded at the discretion of the Group.

## DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (six months ended 30 June 2013: nil).

# Management Discussion and Analysis *(continued)*

## OUTLOOK

In July 2012, China Vanke Co., Ltd. ("China Vanke") completed the acquisition of a controlling stake in the issued shares of the Company and subsequently changed the name of the Company to Vanke Property (Overseas) Limited. Since then, China Vanke has been evaluating different alternatives for the purpose of expanding the Group's business from the holding and leasing of Regent Centre to other businesses which can generate value to the shareholders of the Company.

In August 2013, the Company, with the support from China Vanke, diversified its business activities to property development through acquiring a 20% effective interest in the TW6 Project. The TW6 Project, which is located at the waterfront with close proximity to the Tsuen Wan West MTR Station, is expected to arouse significant market attention when it is launched for pre-sale at an appropriate time.

In June 2014, China Vanke successfully converted the listing of its B shares on the Shenzhen Stock Exchange to H shares on the Hong Kong Stock Exchange. As a result, China Vanke, through itself and the Company, has increased its presence in the international market. It is the current intention of the Company to continue focusing itself primarily on property businesses in Hong Kong. The Board will keep evaluating its business strategies, options and potential opportunities available to the Group from time to time, with the view of enhancing the value of the Company to its shareholders.

On behalf of the Board

**Zhang Xu**

*Director*

Hong Kong, 5 August 2014



# Report on Review of Interim Financial Information



## **Review report to the Board of Directors of Vanke Property (Overseas) Limited**

*(Incorporated in the Cayman Islands with limited liability)*

### **INTRODUCTION**

We have reviewed the interim financial information set out on pages 8 to 20 which comprises the consolidated balance sheet of Vanke Property (Overseas) Limited as of 30 June 2014 and the related consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial information in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial information and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **SCOPE OF REVIEW**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

### **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information as at 30 June 2014 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

#### **KPMG**

*Certified Public Accountants*

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

5 August 2014

# Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014 — unaudited

	Note	For the six months ended	
		30 June 2014 HK\$'000	30 June 2013 HK\$'000
<b>Turnover</b>	3	<b>42,704</b>	40,577
Cost of services		<b>(9,727)</b>	(9,705)
<b>Gross profit</b>		<b>32,977</b>	30,872
Other income		<b>41</b>	75
Administrative, leasing and marketing expenses		<b>(5,882)</b>	(8,238)
Increase in fair value of investment properties	8	<b>64,570</b>	66,980
<b>Operating profit</b>		<b>91,706</b>	89,689
Finance income	4(a)	–	314
Finance costs	4(a)	<b>(10,798)</b>	(4,281)
		<b>80,908</b>	85,722
Share of loss of an associate		<b>(8)</b>	–
<b>Profit before taxation</b>	4	<b>80,900</b>	85,722
Taxation charge	5	<b>(4,514)</b>	(3,539)
<b>Profit and total comprehensive income for the period and attributable to shareholders of the Company</b>		<b>76,386</b>	82,183
		<b>HK\$</b>	HK\$
<b>Earnings per share — basic and diluted</b>	6	<b>0.29</b>	0.32

The notes on pages 12 to 20 form part of this interim financial information. Details of dividends paid and payable to shareholders of the Company are set out in note 7.

# Consolidated Balance Sheet

At 30 June 2014

	Note	At 30 June 2014 HK\$'000 (unaudited)	At 31 December 2013 HK\$'000 (audited)
<b>Non-current assets</b>			
Plant and equipment		13	14
Investment properties	8	1,449,270	1,384,700
Interest in an associate	9	390,260	387,120
Deferred tax assets		1,845	2,068
		<b>1,841,388</b>	<b>1,773,902</b>
<b>Current assets</b>			
Trade and other receivables	10	3,653	3,720
Tax recoverable		85	1,004
Amount due from an associate	9	343,452	343,452
Bank balances and cash		28,424	20,708
		<b>375,614</b>	<b>368,884</b>
<b>Current liabilities</b>			
Other payables and accruals	11	(26,051)	(24,735)
Amount due to an intermediate holding company	12	(151,555)	(151,658)
Bank loans due within one year, secured	13	(5,500)	(5,500)
Tax payable		(2,477)	(467)
		<b>(185,583)</b>	<b>(182,360)</b>
<b>Net current assets</b>		<b>190,031</b>	<b>186,524</b>
<b>Total assets less current liabilities</b>		<b>2,031,419</b>	<b>1,960,426</b>
<b>Non-current liabilities</b>			
Bank loans due after one year, secured	13	(511,500)	(510,000)
Deferred tax liabilities		(28,665)	(27,767)
		<b>(540,165)</b>	<b>(537,767)</b>
<b>NET ASSETS</b>		<b>1,491,254</b>	<b>1,422,659</b>
<b>CAPITAL AND RESERVE</b>			
Share capital		2,596	2,596
Retained profits		1,488,658	1,420,063
<b>TOTAL EQUITY</b>		<b>1,491,254</b>	<b>1,422,659</b>

The notes on pages 12 to 20 form part of this interim financial information.

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014 — unaudited

	Attributable to shareholders of the Company		
	Share capital HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
<b>At 1 January 2014</b>	<b>2,596</b>	<b>1,420,063</b>	<b>1,422,659</b>
<b>Changes in equity for the six months ended 30 June 2014:</b>			
Profit and total comprehensive income for the period	–	<b>76,386</b>	<b>76,386</b>
Final dividend approved in respect of the previous year ( <i>note 7(b)</i> )	–	<b>(7,791)</b>	<b>(7,791)</b>
<b>At 30 June 2014</b>	<b>2,596</b>	<b>1,488,658</b>	<b>1,491,254</b>
<b>At 1 January 2013</b>	2,596	1,276,348	1,278,944
<b>Changes in equity for the six months ended 30 June 2013:</b>			
Profit and total comprehensive income for the period	–	82,183	82,183
Final dividend approved in respect of the previous year ( <i>note 7(b)</i> )	–	(7,791)	(7,791)
<b>At 30 June 2013</b>	2,596	1,350,740	1,353,336

The notes on pages 12 to 20 form part of this interim financial information.

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2014 — unaudited

	For the six months ended	
	30 June 2014	30 June 2013
	HK\$'000	HK\$'000
<b>Net cash generated from operating activities</b>	<b>27,863</b>	31,236
<b>Investing activities</b>		
Advances to an associate	(3,148)	–
Bank interest received	–	219
<b>Net cash (used in)/generated from investing activities</b>	<b>(3,148)</b>	219
<b>Financing activities</b>		
Dividends paid	(7,791)	(7,791)
Interest and other borrowing costs paid	(9,208)	(11,415)
Proceeds from new bank loans	–	300,000
<b>Net cash (used in)/generated from financing activities</b>	<b>(16,999)</b>	280,794
<b>Net increase in cash and cash equivalents</b>	<b>7,716</b>	312,249
<b>Cash and cash equivalents at beginning of the period</b>	<b>20,708</b>	50,151
<b>Cash and cash equivalents at end of the period</b>	<b>28,424</b>	362,400
<b>Analysis of the balances of cash and cash equivalents</b>		
Bank balances and cash	<b>28,424</b>	362,400

The notes on pages 12 to 20 form part of this interim financial information.

# Notes to the Unaudited Interim Financial Information

## 1 GENERAL INFORMATION

Vanke Property (Overseas) Limited (the “Company” and together with its subsidiaries, the “Group”) is a limited liability company incorporated under the laws of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). The registered office of the Company is situated at P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands and the address of its principal office in Hong Kong is 55th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong. The principal activities of the Group are property investment and management and property development.

The Board of Directors of the Company considers the Company’s ultimate holding company is China Vanke Co., Ltd., a joint stock company with limited liability incorporated in the People’s Republic of China and the H shares and A shares of which are listed on the Hong Kong Stock Exchange and the Shenzhen Stock Exchange, respectively.

## 2 SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

The unaudited consolidated interim financial information (the “Interim Financial Information”) has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of Appendix 16 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “Listing Rules”).

The Interim Financial Information has been prepared in accordance with the same accounting policies adopted in the financial statements for the year ended 31 December 2013.

The HKICPA has issued a few amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and one new interpretation that are first effective for the current accounting period of the Group. None of these are relevant to the Group’s consolidated financial statements and the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The preparation of the Interim Financial Information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This Interim Financial Information contains condensed consolidated interim financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group and the Company since the financial statements for the year ended 31 December 2013. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

# Notes to the Unaudited Interim Financial Information *(continued)*

## 3 TURNOVER AND SEGMENT INFORMATION

The Group's chief operating decision maker assesses the performance of the operating segment primarily based on segment profit. Segment profit represents the profit earned by the segment and excludes head office and corporate expenses (net of unallocated income), depreciation, finance income, finance costs and taxation charge.

In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has presented the following two segments:

Rental and property management: The leasing of the Group's investment properties to earn rental and management fee income and to gain from the appreciation in properties' values in the long term

Property development: Share of the results of an associate, which principal activity is property development

The segment results are as follows:

### For the six months ended 30 June 2014 (the "Period")

	Rental and property management HK\$'000	Property development HK\$'000	Total HK\$'000
Turnover	42,704	–	42,704
Segment results before change in fair value of investment properties	32,488	(8)	32,480
Increase in fair value of investment properties	64,570	–	64,570
Segment results	97,058	(8)	97,050
Head office and corporate expenses (net of unallocated income)			(5,351)
Depreciation			(1)
Finance costs			(10,798)
Profit before taxation			80,900
Taxation charge			(4,514)
Profit for the Period			76,386

# Notes to the Unaudited Interim Financial Information *(continued)*

## 3 TURNOVER AND SEGMENT INFORMATION *(continued)*

The segment results are as follows: *(continued)*

For the six months ended 30 June 2013

	Rental and property management HK\$'000	Property development HK\$'000	Total HK\$'000
Turnover	40,577	–	40,577
Segment results before change in fair value of investment properties	30,108	–	30,108
Increase in fair value of investment properties	66,980	–	66,980
Segment results	97,088	–	97,088
Head office and corporate expenses (net of unallocated income)			(7,399)
Finance income			314
Finance costs			(4,281)
Profit before taxation			85,722
Taxation charge			(3,539)
Profit for the period			82,183

## 4 PROFIT BEFORE TAXATION

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

### (a) Finance income and costs

	For the six months ended	
	30 June 2014 HK\$'000	30 June 2013 HK\$'000
<i>Finance income</i>		
Interest income on bank deposits and bank balances	–	(314)
<i>Finance costs</i>		
Interest expenses on bank loans wholly repayable within five years	6,919	2,094
Interest expenses on amount due to an intermediate holding company wholly repayable within five years	2,239	–
Other borrowing costs	1,640	2,187
	10,798	4,281



# Notes to the Unaudited Interim Financial Information *(continued)*

## 4 PROFIT BEFORE TAXATION *(continued)*

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

### (b) Others

	For the six months ended	
	30 June 2014	30 June 2013
	HK\$'000	HK\$'000
Depreciation	1	–
Contributions to defined contribution plan	28	6
Salaries, wages and other benefits (including Directors' emoluments)	2,874	1,010
Rental receivables from investment properties less direct outgoings of HK\$9,727,000 (six months ended 30 June 2013: HK\$9,705,000)	(32,977)	(30,872)

## 5 TAXATION CHARGE

	For the six months ended	
	30 June 2014	30 June 2013
	HK\$'000	HK\$'000
<i>Current tax</i>		
Hong Kong Profits Tax	3,393	3,246
<i>Deferred tax</i>		
Origination and reversal of temporary differences	1,121	293
	<b>4,514</b>	3,539

Provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2013: 16.5%) on the estimated assessable profits for the Period.

There is no tax component (six months ended 30 June 2013: nil) in the results of an associate for the Period.

## 6 EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company HK\$76,386,000 (six months ended 30 June 2013: HK\$82,183,000), and 259,685,288 shares (six months ended 30 June 2013: 259,685,288 shares) in issue during the Period.

Diluted earnings per share equals to the basic earnings per share as the Company had no dilutive potential shares in issue during the Period (six months ended 30 June 2013: nil).

# Notes to the Unaudited Interim Financial Information *(continued)*

## 7 DIVIDEND

- (a) Dividend attributable to the interim period:  
The Directors do not recommend the payment of an interim dividend for the Period (six months ended 30 June 2013: nil).
- (b) Dividend attributable to the previous financial year, approved and paid during the interim period:

	For the six months ended	
	30 June 2014	30 June 2013
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the Period, of HK\$0.03 (six months ended 30 June 2013: HK\$0.03) per share	<b>7,791</b>	7,791

## 8 INVESTMENT PROPERTIES

Investment properties of the Group were revalued at 30 June 2014. The valuations were carried out by an independent firm of surveyors, Vigers Appraisal And Consulting Limited, which has, among its staff, Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of the property being valued. The fair value of investment properties is determined by direct capitalisation of existing net rental income allowing for reversionary market sale potential of the property. During the Period, the increase in fair value of investment properties was HK\$64,570,000 (six months ended 30 June 2013: HK\$66,980,000).

## 9 INTEREST IN AN ASSOCIATE

	At	At
	30 June 2014	31 December 2013
	HK\$'000	HK\$'000
Share of net assets	<b>3,322</b>	3,330
Amount due from an associate (non-current) <i>(note (i))</i>	<b>386,938</b>	383,790
	<b>390,260</b>	387,120
Amount due from an associate (current) <i>(note (ii))</i>	<b>343,452</b>	343,452

Notes:

- (i) The balance is unsecured, interest-bearing at Hong Kong Interbank Offer Rate ("HIBOR") plus 2.2% (31 December 2013: HIBOR plus 2.2%) per annum and has no fixed terms of repayment, and is expected to be recovered after one year.
- (ii) The balance was unsecured, interest-bearing at HIBOR plus 2.2% (31 December 2013: HIBOR plus 2.2%) per annum and was expected to be recovered within one year from the end of the Period. The balance was subsequently recovered in full on 29 July 2014.

# Notes to the Unaudited Interim Financial Information *(continued)*

## 9 INTEREST IN AN ASSOCIATE *(continued)*

On 22 April 2014, the Company, Wkdeveloper Limited ("Wkdeveloper", a wholly-owned subsidiary of the Company and owns 20% equity interest in Ultimate Vantage Limited ("UVL")), Vanke Property (Hong Kong) Company Limited ("VPHK", an intermediate holding company of the Company), another shareholder of UVL (the "JV Partner"), a wholly-owned subsidiary of the JV Partner and UVL (which is an associate of the Group and has been granted the rights to develop a property project adjacent to the West Rail Tsuen Wan West Station (the "TW6 Project")) entered into a shareholders' agreement (the "Shareholders' Agreement") to regulate the relationship of the shareholders of UVL inter se and the management of the affairs of UVL.

The Shareholders' Agreement contains a provision whereby the Company and the JV Partner agreed that a non-defaulting party would have the right to acquire all the interest in UVL represented by the defaulting party and its affiliates upon the occurrence of certain events of default. Such right is reciprocal, and no consideration was paid or is payable by the Company or the JV Partner for the grant by the other party of its respective above-mentioned right. Details of the transaction are disclosed in the Company's announcement dated 22 April 2014 and the Company's circular dated 15 May 2014.

## 10 TRADE AND OTHER RECEIVABLES

	At 30 June 2014 HK\$'000	At 31 December 2013 HK\$'000
Trade receivables	1,012	715
Amortised rent receivables	61	289
Deposits	2,408	2,397
Prepayments and other receivables	172	319
	<b>3,653</b>	<b>3,720</b>

Trade receivables represent rental receivables from tenants of the Group's investment properties. The Group maintains a defined credit policy in respect of rent collection. The credit quality of a new lease or customer is assessed based on a defined policy set by the Group. Reminders are issued bi-weekly when trade receivables have been overdue for 15 days, and legal actions will be taken when the trade receivables are overdue for two months. Normally, the Group does not obtain any collateral from tenants. The ageing analysis of trade receivables, based on the date of revenue recognition, is as follows:

	At 30 June 2014 HK\$'000	At 31 December 2013 HK\$'000
0 to 30 days	884	549
31 to 90 days	128	166
	<b>1,012</b>	<b>715</b>

# Notes to the Unaudited Interim Financial Information *(continued)*

## 11 OTHER PAYABLES AND ACCRUALS

	At 30 June 2014 HK\$'000	At 31 December 2013 HK\$'000
Other payables	<b>2,438</b>	2,232
Amortised rent payables	<b>175</b>	–
Deposits received	<b>21,320</b>	20,371
Accruals	<b>2,118</b>	2,132
	<b>26,051</b>	24,735

Except for the rental deposits received on properties of HK\$4,824,000 (31 December 2013: HK\$9,031,000) which are expected to be settled after one year, all of the other payables are expected to be settled within one year or are repayable on demand.

## 12 AMOUNT DUE TO AN INTERMEDIATE HOLDING COMPANY

	At 30 June 2014 HK\$'000	At 31 December 2013 HK\$'000
Interest-bearing <i>(note (a))</i>	<b>150,000</b>	150,000
Interest-free <i>(note (b))</i>	<b>1,555</b>	1,658
	<b>151,555</b>	151,658

Notes:

(a) *The balance was unsecured, interest-bearing at HIBOR plus 2.8% (31 December 2013: HIBOR plus 2.8%) per annum and was expected to be repaid within one year from the end of the Period. The balance was subsequently repaid in full on 30 July 2014.*

(b) *The balance is unsecured, interest-free and repayable on demand.*

# Notes to the Unaudited Interim Financial Information *(continued)*

## 13 BANK LOANS, SECURED

	At 30 June 2014 HK\$'000	At 31 December 2013 HK\$'000
Secured bank loans	<b>521,500</b>	521,500
Other borrowing costs capitalised	<b>(4,500)</b>	(6,000)
Total bank loans	<b>517,000</b>	515,500
Representing secured bank loans:		
Due within one year	<b>5,500</b>	5,500
Due after one year (between one and two years)	<b>511,500</b>	510,000
	<b>517,000</b>	515,500

The Group's banking facilities of HK\$591,500,000 (31 December 2013: HK\$591,500,000) are secured by investment properties with a carrying amount of HK\$1,449,270,000 (31 December 2013: HK\$1,384,700,000), of which HK\$521,500,000 was utilised as at 30 June 2014 (31 December 2013: HK\$521,500,000).

## 14 CONTINGENT LIABILITIES

On 30 June 2014, UVL entered into a facility agreement in relation to committed term loan facilities granted by a syndicate of financial institutions to UVL of up to HK\$4,800 million (the "TW6 Loan Facilities") for financing the TW6 Project. In relation to the TW6 Loan Facilities, the Company and the JV Partner were required to provide corporate guarantees, on a several basis and in proportion to their respective shareholding interests in UVL, in respect of UVL's obligations under the TW6 Loan Facilities. The Company has, accordingly been guaranteeing, among others, repayment of the principal amount of the TW6 Loan Facilities up to HK\$960 million (the "Corporate Guarantee"). Details of the provision of the Corporate Guarantee are disclosed in the Company's announcement dated 30 June 2014 and the Company's circular dated 22 July 2014.

The TW6 Loan Facilities had not been utilised by UVL as at 30 June 2014. The Directors considered it was not probable that a claim would be made against the Company under the Corporate Guarantee. The Company did not recognise any deferred income in respect of the Corporate Guarantee as its fair value could not be reliably measured using observable market data and no consideration was received or receivable for the provision of the Corporate Guarantee.

# Notes to the Unaudited Interim Financial Information *(continued)*

## 15 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in this Interim Financial Information, the Group entered into the following material related party transactions:

- (a) The following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the interim period.

	For the six months ended	
	30 June 2014	30 June 2013
	HK\$'000	HK\$'000
Management and administrative fee payable to an intermediate holding company <i>(note (i))</i>	942	2,050
Interest payable to an intermediate holding company <i>(note (ii))</i>	2,239	–
Key management compensation <i>(note (iii))</i>	1,855	825

Notes:

- (i) *Management and administrative fee is charged at terms agreed by both parties. The details of the amount due to the intermediate holding company are set out in note 12.*
- (ii) *Interest is charged at rate agreed by both parties. The details of the amount due to the intermediate holding company are set out in note 12.*
- (iii) *Key management personnel represent the directors and senior management of the Company.*
- (b) Pursuant to the sale and purchase agreement dated 16 May 2013 in relation to the acquisition of the entire issued share capital of Wkdeveloper and the related shareholder's loans, VPHK acts as guarantor of the Group in respect of the obligations of the Group in the TW6 Project. Details of the transaction and the guarantee arrangement are disclosed in the Company's announcement dated 16 May 2013 and the Company's circular dated 4 June 2013.

# Other Information

## REVIEW OF INTERIM FINANCIAL INFORMATION

The interim financial information of the Group for the Period is unaudited, but has been reviewed by KPMG, the Company's independent auditor, in accordance with the Hong Kong Standard on Review Engagements 2410 "*Review of interim financial information performed by the independent auditor of the entity*" issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in this interim report. The interim financial information has also been reviewed by the Company's Audit Committee.

Apart from reviewing the interim financial information, the Audit Committee has also considered the significant accounting principles and policies adopted by the Company and discussed with management the internal control and financial reporting matters in respect of this interim report.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the Period, except for the following deviations:

### Code provision A.2.1

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing.

The Company has not appointed Chairman and Chief Executive since 1 September 2012. All duties of chairman and chief executive under code provisions A.2.2 to A.2.9 are shared between Mr. Zhang Xu and Ms. Que Dong Wu, the Executive Directors.

The Board of Directors of the Company (the "Board") considers that the current arrangement is adequate in view of the size and complexity of the Group's operations. The Board will consider appointing Chairman and Chief Executive at an appropriate stage when the Group has increased the size of operation.

### Code provision A.2.7

Code provision A.2.7 stipulates that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present.

As the Company has not appointed Chairman of the Board, this code provision is not applicable to the Company.

### Code provision F.1.3

Code provision F.1.3 stipulates that the company secretary should report to the board chairman and/or the chief executive.

During the Period, the Company Secretary reported to the Executive Directors, as there was no Chairman or Chief Executive.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries to the Directors, all the Directors confirmed that they had complied with the required standard set out in the Model Code throughout the Period. The Company has also established written guidelines on no less exacting terms than the Model Code for relevant employees (as such term is defined in the CG Code) in respect of their dealings in the securities of the Company.

## Other Information *(continued)*

### PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the Period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the Period.

### UPDATE ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

In March 2014, Mr. Zhang Xu was appointed as an Executive Vice President and the Chief Operating Officer of China Vanke whereas Mr. Wang Wen Jin was appointed as an Executive Director and the Chief Financial Officer of China Vanke.

Apart from the above, there has been no change to the information of the Directors since the date of the issuance of the annual report of the Company for the year ended 31 December 2013, which is required to be disclosed in this interim report pursuant to Rule 13.51B(1) of the Listing Rules.

### DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30 June 2014, the interests or short positions of the Directors in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

#### (a) Interests in the Company

Name of Director	Number of ordinary shares held				Total	Percentage of issued share capital
	Interest held as beneficial owner	Interest held by spouse	Interest held by controlled corporations	Other interests		
Chung Wai Sum, Patrick	200,000	–	–	–	200,000	0.08%

Notes:

1. The total number of ordinary shares of the Company in issue as at 30 June 2014 was 259,685,288.
2. All the above interests represent long position.



## Other Information *(continued)*

### DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES *(continued)*

#### (b) Interests in an associated corporation, China Vanke

Name of Director	Type of shares	Number of ordinary shares held					Total	Percentage of issued share capital <i>(Note 2)</i>
		Interest held as beneficial owner	Interest held by spouse	Interest held by controlled corporations	Other interests	Number of underlying shares held under equity derivatives <i>(Note 1)</i>		
Zhang Xu	A shares	679,039	–	–	–	450,000	1,129,039	0.01%
Que Dong Wu	A shares	1,275,700	–	–	–	450,000	1,725,700	0.02%
Wang Wen Jin	A shares	2,223,591	–	–	–	1,320,000	3,543,591	0.04%
Chan Chi Yu	A shares	300,000	–	–	–	–	300,000	0.003%
	H shares	–	–	500,203	–	–	500,203	0.04%

*Notes:*

1. *These represented interests in share options granted by China Vanke to its directors and employees as beneficial owners, details of which are set out in the sub-section (c) headed "Underlying shares in China Vanke".*
2. *The total number of ordinary A shares of China Vanke in issue as at 30 June 2014 was 9,700,070,951, and the total number of ordinary H shares of China Vanke in issue as at 30 June 2014 was 1,314,955,468. The percentage of issued share capital shown above is calculated based on the number of issued shares in the relevant class alone, without taking into account the issued share capital of the other classes.*
3. *All the above interests represent long position.*

## Other Information *(continued)*

### DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES *(continued)*

#### (c) Underlying shares in China Vanke

Pursuant to a share option scheme of China Vanke adopted on 25 April 2011 (the "China Vanke Share Option Scheme"), senior management and key staff of China Vanke and its subsidiaries (the "China Vanke Group") were granted options at nil consideration to subscribe for an aggregate of 110,000,000 A shares of China Vanke. Each option gives the holder the right to subscribe for one A share of China Vanke.

Details of the outstanding options granted to the Directors under the China Vanke Share Option Scheme are as follows:

Name of Director	Exercise period	Exercise price	Number of entitled shares as at 30 June 2014
		RMB	
Zhang Xu	1 May 2013 to 24 April 2015	8.07	225,000
	1 May 2014 to 24 April 2016	8.07	225,000
			<u>450,000</u>
Que Dong Wu	1 May 2013 to 24 April 2015	8.07	225,000
	1 May 2014 to 24 April 2016	8.07	225,000
			<u>450,000</u>
Wang Wen Jin	1 May 2013 to 24 April 2015	8.07	660,000
	1 May 2014 to 24 April 2016	8.07	660,000
			<u>1,320,000</u>

Save as disclosed herein, as at 30 June 2014, none of the Directors had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be recorded in the register kept by the Company under section 352 of the SFO or which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the China Vanke Share Option Scheme, at no time during the Period was the Company or any of its subsidiaries or the Company's holding company or a subsidiary of the Company's holding company a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

The Company did not have any share option scheme in force during the Period.

## Other Information *(continued)*

### SUBSTANTIAL SHAREHOLDERS

Apart from the interests or short positions of the Directors in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as disclosed in the section "Directors' Interests in Equity or Debt Securities", the register kept under section 336 of the SFO (the "Register") shows that as at 30 June 2014 the Company has been notified of the following interests or short positions in the shares of the Company:

Name of substantial shareholder	Long position/ short position	Capacity of interest	Total number of ordinary shares in which the shareholder is interested	Percentage of shareholding
China Vanke <i>(Note 1)</i>	Long position	Held by controlled corporations	194,763,966	75.0%
CITIC Securities Company Limited <i>(Note 2)</i>	Long position	Held by controlled corporations	23,427,000	9.02%

Notes:

1. As recorded in the Company's Register, the 194,763,966 ordinary shares of the Company are held by China Vanke through Wkland Investments Company Limited ("Wkland Investments"), which is an indirect wholly-owned subsidiary of China Vanke. Wkland Investments is a direct wholly-owned subsidiary of Wkland Limited. Wkland Limited is a direct wholly-owned subsidiary of Vanke Property (Hong Kong) Company Limited ("Vanke HK"). Vanke HK is a direct wholly-owned subsidiary of Shanghai Vanke Real Estate Company Limited. Shanghai Vanke Real Estate Company Limited is a direct wholly-owned subsidiary of Shanghai Vanke Investment and Management Company Limited. Shanghai Vanke Investment and Management Company Limited is a direct wholly-owned subsidiary of China Vanke.
2. As recorded in the Register, the 23,427,000 ordinary shares are held by CSI Capital Management Limited, which is a direct wholly-owned subsidiary of CITIC Securities International Company Limited, which in turn is a direct wholly-owned subsidiary of CITIC Securities Company Limited.

### DISCLOSURE PURSUANT TO CHAPTER 13 OF THE LISTING RULES

- (a) On 28 December 2012, WK Property Financial Limited ("WKPFL") as borrower and a bank as lender entered into a facility agreement (the "WKPFL Facility Agreement") pursuant to which term and revolving loan facilities of up to an aggregate amount of HK\$600 million (the "WKPFL Facilities") with a final maturity date falling three years after the date of the WKPFL Facility Agreement were provided by the bank for the purpose of financing the general working capital requirements of the members of the Group. Pursuant to a guarantee executed by the Company in favor of the bank for the provision of the WKPFL Facilities, the Company covenanted that Vanke HK would own at least 51% of beneficial interest in the issued share capital of Future Best Developments Limited ("Future Best") throughout the life of the WKPFL Facilities. Future Best is a wholly-owned subsidiary of the Company and holds the entire issued share capital of WKPFL. Failure to comply with this covenant will result in an event of default under the WKPFL Facility Agreement.

## Other Information *(continued)*

### DISCLOSURE PURSUANT TO CHAPTER 13 OF THE LISTING RULES *(continued)*

(b) On 30 June 2014, Ultimate Vantage, an associate of the Company, as borrower entered into a committed term loan facility agreement (the "Ultimate Vantage Facility Agreement") with, among others, a syndicate of financial institutions pursuant to which Ultimate Vantage was permitted to draw down facilities in a maximum amount totalling HK\$4,800 million for the purposes of (a) refinancing up to approximately 50% of the premium paid by Ultimate Vantage in respect of the TW6 Project, (b) partially financing or refinancing the construction costs relating to the residential portion of the TW6 Project and (c) partially financing or refinancing the construction costs relating to the government accommodation portion of the TW6 Project (the "Ultimate Vantage Loan Facilities"). As disclosed in the announcement of the Company dated 30 June 2014, the Company and the joint venture partner, New World Development Company Limited, were required to provide corporate guarantees, on a several basis and in proportion to their respective shareholding interests in Ultimate Vantage, in respect of the Ultimate Vantage's obligations under the Ultimate Vantage Loan Facilities. Accordingly, the Company has been guaranteeing, among others, repayment of the principal amount of the Ultimate Vantage Loan Facilities up to HK\$960 million (the "Corporate Guarantee").

As at 30 June 2014, the aggregate amount of financial assistance provided by the Group to Ultimate Vantage by way of shareholder's loans, excluding the provision of the Corporate Guarantee, amounted to HK\$730,390,000, which exceeded 8% of the assets ratio as defined under Rule 14.07(1) of the Listing Rules.

Pursuant to Rule 13.22 of the Listing Rules, the balance sheet of Ultimate Vantage as at 30 June 2014 and the Group's attributable interest therein are set out below.

		<b>Balance sheet of Ultimate Vantage</b>	<b>Group's attributable interest</b>
	<i>Note</i>	<i>HK\$million</i>	<i>HK\$million</i>
Non-current assets		3,866	773
Current assets		–	–
Loans due to shareholders — current portion	(a)	(1,717)	(343)
Other current liabilities		(120)	(24)
Loans due to shareholders — non-current portion	(b)	(2,012)	(387)
Other non-current liabilities		–	–
Net assets		17	3

(a) *The balance was unsecured, interest-bearing at Hong Kong Interbank Offer Rate ("HIBOR") plus 2.2% per annum and was expected to be repaid within one year from the end of the Period. The balance was subsequently repaid in full on 29 July 2014.*

(b) *The balance is unsecured, interest-bearing at HIBOR plus 2.2% per annum, has no fixed terms of repayment, and is expected to be repaid after one year.*

### PUBLICATION OF INTERIM REPORT

The interim report in both English and Chinese is available in printed form and on the website of the Company at [www.vankeoverseas.com](http://www.vankeoverseas.com) and the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). Shareholders may at any time change their means of receiving corporate communications of the Company (in hard copy or through electronic means), free of charge, by giving reasonable notice in writing to the Company's Hong Kong Share Registrar or by email to [vankeoverseas.ecom@computershare.com.hk](mailto:vankeoverseas.ecom@computershare.com.hk).