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萬科海外投資控股有限公司

VANKE OVERSEAS INVESTMENT HOLDING COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01036)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

RESULTS

The Board of Directors (the “**Board**”) of Vanke Overseas Investment Holding Company Limited (formerly known as Vanke Property (Overseas) Limited) (the “**Company**” and together with its subsidiaries, the “**Group**”) is pleased to announce the consolidated results of the Group for the year ended 31 December 2019 as follows:

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
Revenue	3	251,477	101,780
Cost of services		(79,153)	(22,804)
Gross profit		172,324	78,976
Other income	4	432	440
Administrative and other operating expenses		(34,909)	(12,092)
Net increase in fair value of investment properties	9(a)	943	136,005
Operating profit		138,790	203,329
Finance income	5(a)	24,772	20,779
Finance costs	5(b)	(22,545)	–
Share of results of associates		16,823	465,682
Profit before taxation	5	157,840	689,790
Income tax	6	(24,491)	(12,947)
Profit for the year		133,349	676,843
Attributable to:			
Shareholders of the Company		133,363	676,843
Non-controlling interests		(14)	–
Profit for the year		133,349	676,843
		HK\$	HK\$
Earnings per share — basic and diluted	8	0.34	1.74

Details of dividends paid and payable to shareholders of the Company attributable to the profit for the year are set out in note 7.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2019

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit for the year	133,349	676,843
Other comprehensive income for the year:		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of the financial statements of overseas subsidiaries	<u>(800)</u>	<u>–</u>
Total comprehensive income for the year	<u>132,549</u>	<u>676,843</u>
Attributable to:		
Shareholders of the Company	132,558	676,843
Non-controlling interests	<u>(9)</u>	<u>–</u>
Total comprehensive income for the year	<u>132,549</u>	<u>676,843</u>

Consolidated Statement of Financial Position
At 31 December 2019

	<i>Note</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current assets			
Investment properties	9(a)	3,153,973	1,968,000
Property, plant and equipment	9(b)	604,753	137
Interests in associates	10	453,786	338,435
Other non-current assets	11	49,724	–
		<u>4,262,236</u>	<u>2,306,572</u>
Current assets			
Trade and other receivables	11	82,827	13,047
Investment instruments	12	525,131	–
Tax recoverable		1,895	1,827
Bank balances and cash		450,893	1,425,085
		<u>1,060,746</u>	<u>1,439,959</u>
Current liabilities			
Other payables and accruals	13	(234,053)	(33,241)
Loan from an intermediate holding company	14	(424,600)	–
Bank loan	16	(10,357)	–
Lease liabilities	15	(2,583)	–
Tax payable		(22,915)	(5,557)
		<u>(694,508)</u>	<u>(38,798)</u>
Net current assets		<u>366,238</u>	<u>1,401,161</u>
Total assets less current liabilities		<u>4,628,474</u>	<u>3,707,733</u>
Non-current liabilities			
Bank loan	16	(761,580)	–
Lease liabilities	15	(58,879)	–
Deferred tax liabilities		(43,481)	(40,966)
		<u>(863,940)</u>	<u>(40,966)</u>
NET ASSETS		<u>3,764,534</u>	<u>3,666,767</u>
CAPITAL AND RESERVES			
Share capital		3,895	3,895
Reserves		3,760,372	3,662,872
Total equity attributable to shareholders of the Company		<u>3,764,267</u>	<u>3,666,767</u>
Non-controlling interests		267	–
TOTAL EQUITY		<u>3,764,534</u>	<u>3,666,767</u>

Notes

1. GENERAL INFORMATION

Vanke Overseas Investment Holding Company Limited (the “**Company**”), formerly known as “Vanke Property (Overseas) Limited”, and its subsidiaries, (the “**Group**”) is a limited liability company incorporated in the Cayman Islands whose shares are listed on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”). The registered office is located at is P.O. Box 309, Uglund House, Grand Cayman KY1-1104, Cayman Islands and the principal office in Hong Kong is located at 55th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong. The principal activities of the Group are asset management, property development and property investment.

The Board considers the immediate holding company and the ultimate holding company to be Wkland Investments Company Limited and China Vanke Co., Ltd.. Wkland Investments Company Limited is a company incorporated in the British Virgin Islands with limited liability, while China Vank Co., Ltd. is 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. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements for the year ended 31 December 2019 comprise the Group and its interest in associates. The consolidated results set out in this announcement do not constitute the Group’s consolidated financial statements for the year ended 31 December 2019 but are extracted from those financial statements.

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that investment properties are stated at their fair value.

The financial statements have been prepared in accordance with the same accounting policies adopted in the financial statements for the year ended 31 December 2018, except for the accounting policy changes as set out below.

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

The key changes to the Group’s accounting policies resulting from the adoption of HKFRS 16 are summarised below.

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases — incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*.

As a lessee, the Group previously classified leases as operating or finance leases under HKAS 17 based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under HKFRS 16, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17.

HKFRS 16 does not substantially change how a lessor accounts for leases under HKAS 17.

The adoption of HKFRS 16 does not have any impacts to the opening balance of the Group's equity as the Group does not enter into any leases as lessee prior to 31 December 2018.

In addition, the Group has also considered its impact to the classification of the Group's leasehold investment properties and concluded that there is no presentation impact following the adoption of HKFRS 16 as the Group previously applied HKAS 40, *Investment properties*, to account for all of its leasehold properties that were held for investment purpose.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in these financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. REVENUE AND SEGMENT INFORMATION

(a) Revenue recognised during the year is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<i>Revenue from contracts with customers within the scope of HKFRS 15 recognised over time</i>		
Property management fee income	15,651	15,476
Asset management fee income	82,898	–
<i>Revenue from other sources</i>		
Rental income from investment properties	111,490	86,304
Interest income on investment instruments	41,438	–
	251,477	101,780
	251,477	101,780

(b) Segment reporting

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 mainly head office and corporate expenses (net of unallocated income), finance income, finance costs and income tax.

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 three segments:

Property investment:	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 associates that principal activities are property development and financing, the handling fee income, interest income from an associate and interest income on investment instruments
Asset management:	Asset management fee income from the provision of asset management services

Segment assets principally comprise all non-current assets and current assets directly attributable to each segment except for property, plant and equipment (excluding property under redevelopment and other property leased for own use), other receivables, other deposits, prepayments, tax recoverable and bank balances and cash. No segment liabilities analysis is presented as the Group monitors and manages its liabilities on a group basis.

Revenue from customers which accounts for 10% or more of the Group's revenue are set out below:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Property development segment — Customer A	41,438	–
Asset management segment — entities controlled by the ultimate holding company	82,898	–

Operating segments

The segment results are as follows:

For the year ended 31 December 2019

	Property investment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	127,141	41,438	82,898	251,477
Segment results before changes in fair value of investment properties	80,921	64,993	25,686	171,600
Net increase in fair value of investment properties	943	–	–	943
Segment results	81,864	64,993	25,686	172,543
Head office and corporate expenses (net of unallocated income)				(32,482)
Finance income — bank interest income				17,779
Profit before taxation				157,840
Income tax				(24,491)
Profit for the year				133,349

For the year ended 31 December 2018

	Property investment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	101,780	–	–	101,780
Segment results before changes in fair value of investment properties	77,352	473,217	–	550,569
Increase in fair value of investment properties	136,005	–	–	136,005
Segment results	213,357	473,217	–	686,574
Head office and corporate expenses (net of unallocated income)				(10,242)
Finance income — bank interest income				13,458
Profit before taxation				689,790
Income tax				(12,947)
Profit for the year				676,843

Total assets by segment

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Property investment	3,213,771	1,969,474
Property development	1,580,950	346,408
Asset management	42,873	–
Segment assets	4,837,594	2,315,882
Property, plant and equipment	122	137
Other receivables	32,478	3,600
Tax recoverable	1,895	1,827
Bank balances and cash	450,893	1,425,085
Total assets	5,322,982	3,746,531

Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment properties, property under redevelopment, other property leased for own use, interests in associates and other non-current assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of investment properties and property under redevelopment, the location of the operation to which it is allocated, in the case of other non-current assets, and the location of operations, in the case of interests in associates.

	Revenue from external customers		Specific non-current assets	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Hong Kong	120,213	101,780	2,900,587	2,306,435
United Kingdom	32,945	–	1,199,237	–
United States	98,319	–	162,290	–
Total	<u>251,477</u>	<u>101,780</u>	<u>4,262,114</u>	<u>2,306,435</u>

4. OTHER INCOME

	2019 HK\$'000	2018 HK\$'000
Handling fee income from an associate	–	214
Compensation received from tenants on early lease termination	315	32
Others	117	194
	<u>432</u>	<u>440</u>

5. PROFIT BEFORE TAXATION

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

	2019 HK\$'000	2018 HK\$'000
(a) Finance income		
Interest income on bank deposits and bank balances	(17,779)	(13,458)
Interest income on an amount due from an associate	(6,993)	(7,321)
	<u>(24,772)</u>	<u>(20,779)</u>
(b) Finance costs		
Interest expense on bank loan	10,321	–
Interest expense on a loan from an intermediate holding company	8,672	–
Interest expense on lease liabilities	2,925	–
Other borrowing costs	627	–
	<u>22,545</u>	<u>–</u>

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
(c) Staff costs (including directors' emoluments)		
Contributions to defined contribution plan	1,230	68
Salaries, wages and other benefits	48,873	5,360
	<u>50,103</u>	<u>5,428</u>
(d) Others		
Auditors' remuneration		
— audit services	4,090	828
— non-audit services	1,506	250
Depreciation	1,449	98
Net foreign exchange loss	2,616	—
Rental and related income from investment properties less direct outgoings of HK\$22,102,000 (2018: HK\$22,804,000)	<u>(105,039)</u>	<u>(78,976)</u>

6. INCOME TAX

(a) Income tax represents:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current tax — Hong Kong Profits Tax		
Provision for the year	15,376	10,255
Over-provision in prior years	(205)	(94)
	<u>15,171</u>	<u>10,161</u>
Current tax — Overseas		
Provision for the year	<u>6,805</u>	—
Deferred tax		
Origination and reversal of temporary differences	<u>2,515</u>	<u>2,786</u>
	<u>24,491</u>	<u>12,947</u>

Provision for Hong Kong Profits Tax is calculated at 16.5% (2018: 16.5%) on the estimated assessable profits for the year.

Overseas taxation is calculated at rate of tax applicable in the jurisdictions in which the Group is assessed for tax.

Share of associates' income tax expense of HK\$3,626,000 (2018: HK\$79,072,000) is included in the share of results of associates for the year ended 31 December 2019.

7. DIVIDENDS

(a) Dividends attributable to the year

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Final dividend proposed after the end of reporting period of HK\$0.09 (2018: HK\$0.09) per share	<u>35,058</u>	<u>35,058</u>

At a meeting held on 13 March 2020, the Directors recommended a final dividend of HK\$0.09 per share. This proposed dividend is not reflected as a dividend payable in the Group's consolidated financial statements until it has been approved by the shareholders of the Company and will be reflected as an appropriation of reserves in the year ending 31 December 2020.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.09 (2018: HK\$0.03) per share	<u>35,058</u>	<u>11,686</u>

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of HK\$133,363,000 (2018: HK\$676,843,000) and 389,527,932 (2018: 389,527,932) shares in issue during the year.

Diluted earnings per share equals to the basic earnings per share as the Company had no dilutive potential shares in issue during the year (2018: Nil).

9. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

(a) Investment properties

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
At 1 January	1,968,000	1,830,000
Additions	896	1,995
Acquisition of subsidiaries (<i>note 17</i>)	1,135,339	–
Net fair value gain	943	136,005
Exchange adjustments	<u>48,795</u>	<u>–</u>
At 31 December	<u>3,153,973</u>	<u>1,968,000</u>

All of the Group's investment properties were revalued at 31 December 2019. The valuations were carried out by independent firm of surveyors, Jones Lang LaSalle Corporate Appraisal and Advisory Limited and Knight Frank LLP, which have among its staff with relevant professional qualifications and have recent experience in the location and category of the property being valued.

The fair value of investment properties in Hong Kong and the United Kingdom are determined by taking into account the net rental income of the property derived from the existing leases with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the market value at appropriate capitalisation rates, and with reference to the comparable sale transactions as available in the market. The fair value measurement is positively correlated to the market rent per square foot, and negatively correlated to the capitalisation rates.

(b) Property, plant and equipment

During the year ended 31 December 2019, the Group acquired items of property, plant and equipment with a total cost of HK\$606,079,000 (2018: HK\$19,000), mainly including (i) property under redevelopment acquired through acquisition of subsidiaries with a total cost of HK\$596,000,000 (Note 17) (2018: nil); and (ii) addition of property, plant and equipment amounted to HK\$9,656,000 (2018: nil), which represented right-of-use assets arising from the lease of an office premise with fixed monthly lease payment term.

10. INTERESTS IN ASSOCIATES AND AMOUNTS DUE FROM/TO ASSOCIATES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Share of net assets (<i>note (a)</i>)	252,056	79,714
Amount due from an associate (non-current) (<i>note (b)(i)</i>)	201,730	258,721
	453,786	338,435
Amount due from an associate (current) (<i>note (b)(i)</i>)	5,699	7,973
Amount due to an associate (current) (<i>note (b)(ii)</i>)	148,185	–

Notes:

- (a) The balance included the newly acquired associates (through acquisition of subsidiaries) of HK\$157,165,000 during the year (see note 17).
- (b) Amounts due from/to associates comprise of:
- (i) An amount due from Gold Value Limited of HK\$207,429,000 (2018: HK\$266,694,000) is unsecured, interest-bearing at Hong Kong Prime Rate minus 2.1% per annum. The amount of HK\$5,699,000 (2018: HK\$7,973,000) is expected to be recovered within one year, while the remaining amount of HK\$201,730,000 (2018: HK\$258,721,000) will be recovered after one year.
 - (ii) An amount due to Ultimate Vantage Limited of HK\$148,185,000 (2018: nil) is unsecured, interest-free and repayable on demand.

11. TRADE AND OTHER RECEIVABLES AND OTHER NON-CURRENT ASSETS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables (<i>note (a)</i>)	1,075	530
Unamortised rent receivables	58,723	944
Other receivables	9,111	870
Other deposits	3,316	2,603
Prepayments	1,574	127
Amount due from an associate (<i>note 10(b)(i)</i>)	5,699	7,973
Amount due from an intermediate holding company (<i>note (b)</i>)	41,857	–
Amounts due from fellow subsidiaries (<i>note (b)</i>)	11,196	–
	<u>132,551</u>	<u>13,047</u>
Representing:		
Current	82,827	13,047
Non-current (unamortised rent receivables)	49,724	–
	<u>132,551</u>	<u>13,047</u>

(a) Ageing analysis

Trade receivables represent mainly rental receivables from tenants of the Group's investment properties. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 15 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

As at the end of the reporting period, the ageing analysis of trade receivables based on the date of revenue recognition, is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 to 30 days	728	500
31 to 90 days	347	30
	<u>1,075</u>	<u>530</u>

- (b) The amounts due from an intermediate holding company and fellow subsidiaries are unsecured, interest-free and recoverable on demand. Included in the balances were trade receivables from an intermediate holding company and fellow subsidiaries of HK\$23,387,000 (2018: nil) and HK\$11,189,000 (2018: nil), respectively, which arose from the provision of asset management services. The aging of these balances are less than 30 days from the date of revenue recognition.

12. INVESTMENT INSTRUMENTS

The Group invests in the investment instruments for funding a property development project.

The instruments are interest-bearing at 14.15% per annum and will be matured on 20 December 2020 (with one year extension option exercisable by the borrowers). The instruments are guaranteed by a holding company of the borrowers. The balance of HK\$362,169,000 is secured by the equity interest of a borrower, while the remaining balance of HK\$162,962,000 is unsecured.

13. OTHER PAYABLES AND ACCRUALS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Other payables	21,310	1,658
Rental and other deposits received	24,810	24,673
Accruals	29,385	5,588
Amount due to an associate (<i>note 10(b)(ii)</i>)	148,185	–
Amount due to an intermediate holding company (<i>note (a)</i>)	10,054	1,322
Amounts due to a fellow subsidiary (<i>note (a)</i>)	309	–
	<u>234,053</u>	<u>33,241</u>

- (a) The amounts due to an intermediate holding company and a fellow subsidiary are unsecured, interest-free and repayable on demand.
- (b) Except for the rental and other deposits received on properties and other payables of HK\$13,014,000 (2018: HK\$15,015,000) which are expected to be settled after one year, all of the other payables, rental and other deposits received and accruals are expected to be settled within one year or repayable on demand.

14. LOAN FROM AN INTERMEDIATE HOLDING COMPANY

The loan from an intermediate holding company is unsecured, interest-bearing at London Inter-bank Offered Rate (“LIBOR”) plus 2.1% per annum or the most recent average cost of capital of the lender, whichever is higher, and repayable upon third-party financing becoming available to the Group.

15. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group’s lease liabilities at the end of the reporting period:

	At 31 December 2019		At 31 December 2018	
	Present value of the minimum lease payments <i>HK\$'000</i>	Total minimum lease payments <i>HK\$'000</i>	Present value of the minimum lease payments <i>HK\$'000</i>	Total minimum lease payments <i>HK\$'000</i>
Within 1 year	2,583	5,424	–	–
After 1 year but within 2 years	2,729	5,467	–	–
After 2 years but within 5 years	3,133	10,932	–	–
After 5 years	53,017	302,266	–	–
	<u>58,879</u>	<u>318,665</u>	<u>–</u>	<u>–</u>
	<u>61,462</u>	<u>324,089</u>	<u>–</u>	<u>–</u>
Less: total future interest expenses		(262,627)		–
Present value of lease liabilities		<u>61,462</u>		<u>–</u>

16. BANK LOAN

	At 31 December 2019 HK\$'000	At 31 December 2018 HK\$'000
Secured bank loan	774,561	–
Other borrowing costs capitalised	(2,624)	–
	<hr/>	<hr/>
Total bank loan	<u>771,937</u>	<u>–</u>
<i>Representing secured bank loan repayable:</i>		
Within 1 year or on demand	10,357	–
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
After 1 year but within 2 years	10,357	–
After 2 years but within 5 years	751,223	–
	<hr/>	<hr/>
	<u>761,580</u>	<u>–</u>
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total bank loan	<u>771,937</u>	<u>–</u>

The banking facility at 31 December 2019 of GBP75,000,000 (equivalent to HK\$776,779,000) was secured by all assets held by a subsidiary. These included the Group's investment properties located in United Kingdom of HK\$1,149,513,000 at 31 December 2019.

Among the total banking facility, the balance of GBP74,786,000 (equivalent to HK\$774,561,000) was utilised as at 31 December 2019. The bank loan is interest-bearing at the LIBOR plus 1.95% per annum, repayable by instalment in accordance with repayment schedule and will be matured by 16 January 2022.

The banking facility is subject to the fulfilment of covenants relating to certain of the abovementioned subsidiary's statement of financial position ratios and an obligation on its immediate holding company to maintain its beneficial interest in that subsidiary's issued share capital.

At 31 December 2019, none of the covenants relating to drawn down facilities had been breached. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants.

17. ACQUISITION OF SUBSIDIARIES

During the year, the Group acquired the following subsidiaries:

Acquisition of Lithium Topco Limited

On 7 March 2019, the Group entered into a sale and purchase agreement which Vanke Property (Hong Kong) Company Limited ("VPHK"), an intermediate holding company, to acquire approximately 99.95% effective interest in Lithium Topco Limited, a company incorporated in the British Virgin Island ("BVI"), at a consideration of approximately GBP40,997,000 (equivalent to approximately HK\$406,643,000). Lithium Topco Limited and its subsidiaries (the "London Target Group") are principally engaged in property investment in the United Kingdom.

Acquisition of 657-667 Mission Limited

On 7 March 2019, the Group entered into a sale and purchase agreement with VPHK to acquire the entire issued share capital of 657-667 Mission Limited, a company incorporated in Cayman Islands, at a consideration of approximately US\$20,111,000 (equivalent to approximately HK\$157,096,000). 657-667 Mission Limited and its subsidiary and associates (the “**SF Target Group**”) are principally engaged in property investment in the United States of America.

Acquisition of Supreme J Limited

On 7 March 2019, the Group entered into a sale and purchase agreement with Chogori Investment (Hong Kong) Limited, a fellow subsidiary, to acquire the entire issued share capital of Supreme J Limited, a company incorporated in Cayman Islands, at an aggregate consideration of approximately US\$66,927,000 (equivalent to approximately HK\$522,798,000). Supreme J Limited (the “**NY Target**”) is principally engaged in provision of financing to a property development project in the United States of America.

Acquisition of V-Win Achieve Limited

On 29 August 2019, the Group entered into into a sale and purchase agreement with Wkinv HK Holdings Limited, a fellow subsidiary of VPHK, to acquire (i) approximately 99.89% issued share capital in V-Win achieve Limited (“**V-Win**”), a company incorporated in BVI; and (ii) the shareholder’s loan due by V-Win and its subsidiary (the “**V-Win Group**”) to VPHK at a consideration of HK\$595,341,000. The V-Win Group is principally engaged in property redevelopment in Hong Kong.

Details of the acquisitions of the London Target Group, the SF Target Group and the NY Target are disclosed in the Company’s announcement dated 8 March 2019 and the Company’s circular dated 21 May 2019. The transactions were approved by the shareholders of the Company at the Extraordinary General Meeting held on 6 June 2019 and completed on 30 June 2019.

Details of the acquisition of the V-Win Group is disclosed in the Company’s announcement dated 29 August 2019 and the Company’s circular dated 30 September 2019. The transactions were approved by the shareholders of the Company at the Extraordinary General Meeting held on 30 October 2019 and completed on 1 November 2019.

The acquisition of subsidiaries had the following combined effect on the Group's assets and liabilities upon the date of acquisitions:

	London Target Group <i>HK\$'000</i>	SF Target Group <i>HK\$'000</i>	NY Target <i>HK\$'000</i>	V-Win Group <i>HK\$'000</i>	Total <i>HK\$'000</i>
Investment properties	1,135,339	–	–	–	1,135,339
Interests in associates	–	157,165	–	–	157,165
Investment instruments	–	–	522,798	–	522,798
Property, plant and equipment	–	–	–	596,000	596,000
Trade and other receivables	61,177	–	–	21	61,198
Bank balances and cash	28,862	–	–	–	28,862
Other payables and accruals	(28,250)	(69)	–	(680)	(28,999)
Bank loan	(738,654)	–	–	–	(738,654)
Lease liabilities	(50,815)	–	–	–	(50,815)
Tax payable	(813)	–	–	–	(813)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net identified assets and liabilities	406,846	157,096	522,798	595,341	1,682,081
Non-controlling interests	(203)	–	–	–	(203)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total consideration	<u>406,643</u>	<u>157,096</u>	<u>522,798</u>	<u>595,341</u>	<u>1,681,878</u>
Cash consideration paid	406,643	157,096	522,798	595,341	1,681,878
Total bank balances and cash acquired	(28,862)	–	–	–	(28,862)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net cash outflow	<u>377,781</u>	<u>157,096</u>	<u>522,798</u>	<u>595,341</u>	<u>1,653,016</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

As a milestone of its corporate development and a demonstration of the Group's ambition to develop its asset management and strengthen its property development and property investment business, on 30 June 2019, the Group completed the acquisitions (the "**Acquisitions**") of equity interests or investment instruments (as the case may be) in certain properties in London, the United Kingdom, and San Francisco and New York in the United States of America. The Acquisitions comprise acquiring (i) approximately 99.95% effective interest in the investment property Ryder Court located at 13–17 Bury Street and 12, 14 and 16 Ryder Street, St James's, London, SW1, the United Kingdom ("**Ryder Court**"); (ii) 45% effective interest in the investment property located at 657 and 663–667 Mission Street, San Francisco, California, the United States of America ("**Mission**"); and (iii) 100% of the holding entity which participates in 49% effective interest in the investment instruments ("**Investment Instruments**") for funding the development of the property located at 25 Park Row, New York, the United States of America ("**Park Row**").

Further, in order for the Group to enhance its asset management capabilities in the United Kingdom and the United States of America, the Group entered into a management services framework agreement with VPHK and certain of its subsidiaries (the "**VPHK Parties**") which took effect on 30 June 2019, after which the Group recruited the former employees, who were responsible for overseeing and managing the property investment and management in the United Kingdom and the United States of America, of China Vanke and its subsidiaries (excluding the Group) (the "**China Vanke Group**") and pursuant to which the Group is currently providing asset management services in such places to China Vanke Group. These projects and business activities have contributed income to the Group from the second half of 2019.

In the second half of 2019, the Group continued the momentum of the Group's expansion of its asset management and property development and property investment business. On 1 November 2019, the Group completed the acquisition (the "**HK Acquisition**") of approximately 99.89% effective interest in the property comprising pieces or parcels of ground located at 62, 64, 66 and 68 Chun Yeung Street, Hong Kong (the "**Chun Yeung Street Property**"). The Board considers that the HK Acquisition offers a good opportunity for the Group to broaden its portfolio in the property market in Hong Kong, especially that over 99% of the units in the West Rail Tsuen Wan West Station TW6 Property Development Project (the "**TW6 Project**" and also known as "**The Pavilia Bay**") of the Group have been sold. The HK Acquisition enables the Group to have new resources for providing long-term growth prospects and investment return to the Shareholders. Upon completion of the development of the Property into a hotel, the Property is expected to generate stable income to the Group.

In conjunction with the Acquisitions, the Group entered into a supplemental agreement to amend the existing management services framework agreement with VPHK Parties which took effect on 1 November 2019, pursuant to which the Group began providing management services to VPHK Parties in Hong Kong (the “**Management Services**”). To support the Management Services, the Group employed the former employees of China Vanke Group who were responsible for overseeing and managing the business of property development, investment and management in Hong Kong in November 2019. With the joining of the management team from the United States of America, the United Kingdom and Hong Kong, the Group could lay a solid foundation to cultivate its asset management and property development and investment capabilities in the gateway market, and add a new income stream from the asset management arm. This can increase the overall competitive edge of the Group in the real estate business sector.

For details of the Acquisitions, the HK Acquisition and the Management Services, please refer to the Company’s announcement dated 8 March 2019 and circular dated 21 May 2019 relating to the Acquisitions and the Management Services and the Company’s announcement dated 29 August 2019 and circular dated 30 September 2019 relating to the HK Acquisition and the supplemental agreement relating to the Management Services.

The Group’s revenue is derived from the leasing of units and car parking spaces in Regent Centre, the leasing of Ryder Court, interest from the Investment Instruments and provision of asset management services. Revenue for the year was approximately HK\$251.5 million (2018: HK\$101.8 million), representing an increase of approximately 147%. The increase was mainly due to (i) the increase in passing rent for the units in Regent Centre; (ii) Ryder Court and the Investment Instruments having begun generating revenue after the completion of the Acquisitions; and (iii) the commencement of the management services framework agreement and the supplemental agreement on 30 June 2019 and 1 November 2019, respectively.

The Group’s investment in Regent Centre was at a fair value at approximately HK\$2,004.5 million as at 31 December 2019 (31 December 2018: HK\$1,968.0 million), representing an increase of approximately 2%. The Group’s investment in Ryder Court was at a fair value at approximately HK\$1,149.5 million as at 31 December 2019. There has been no change in the valuation methodology of the Group’s investment properties. After netting off the additions to investment properties of HK\$0.9 million, the net fair value gain amounted to approximately HK\$0.9 million for the year (2018: HK\$136.0 million).

Excluding the change in fair value of investment properties and share of results of associates of the Group, the Group’s underlying profit for the year was approximately HK\$115.6 million (2018: HK\$75.2 million), representing a increase of approximately 54%. The increase was mainly due to (i) net profit generated from Ryder Court; (ii) the interest income on investment instruments; and (iii) net profit generated from the provision of asset management services.

Property investment

The Group's investment properties comprise (i) various portions of Regent Centre (the "**Regent Centre**"), which is located at 63 Wo Yi Hop Road and 70 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong; and (ii) Ryder Court, which is located at 13–17 Bury Street and 12, 14 and 16 Ryder Street, St James's, London, SW1, the United Kingdom.

The Group owns a total gross floor area of approximately 657,000 square feet in Regent Centre and approximately 76,000 square feet in Ryder Court, representing 64% and 100% of the total gross floor area respectively.

During the year, the Group renewed the leases of Regent Centre at a positive rental reversion. Occupancy of Regent Centre decreased to 96% as at 31 December 2019 (31 December 2018: 99%) against an increase in monthly passing rent to HK\$10.0 per square foot as at 31 December 2019 (31 December 2018: HK\$9.7 per square foot). Apart from monthly rent, the tenants are responsible for payment of a property management fee to the landlord, whose income has been accounted for as part of the revenue of the Group. Total revenue from the leasing of units and car parking spaces in Regent Centre was approximately HK\$102.1 million (2018: HK\$101.8 million).

The Acquisitions completed on 30 June 2019. Ryder Court began generating revenue. As at 31 December 2019, the occupancy rate of the Ryder Court was 99%. Total revenue from the leasing of Ryder Court during the year was approximately HK\$25.0 million (2018: nil).

Gross profit from operation for the year increased to approximately HK\$105.0 million (2018: HK\$79.0 million), mainly due to an increase in revenue from Ryder Court during the year.

Segment profit before change in fair value of investment properties of the Group amounted to approximately HK\$80.9 million for the year (2018: HK\$77.4 million), representing an increase of approximately 5%. The increase was mainly due to netting effect of revenue generated from Ryder Court and the interest expenses incurred by Regent Centre during the year.

Property development

The Group's property under development is represented by investment in Ultimate Vantage Limited ("**Ultimate Vantage**"), a 20% associate of the Group. Ultimate Vantage is a special purpose vehicle established in January 2013 for the development of The Pavilia Bay. Up to the date hereof, over 99% of the units have been sold at gross proceeds of approximately HK\$10.0 billion and substantially all sold units of The Pavilia Bay have been handed over to the buyers in the fourth quarter of 2018.

Gold Value Limited ("**Gold Value**"), a 20% associate of the Group, was formed by the Group and the joint venture partner in Ultimate Vantage (the "**TW6 Partner**") in November 2016 for the purpose of providing first and second mortgage financing to the buyers of the TW6 Project on market terms (the "**Provision of Mortgages**"). Finance for the business of Gold Value is provided by the Group and the TW6 Partner by way of interest-bearing shareholder's loans on a several basis and in proportion to each of the parties' shareholding interest in Gold Value.

The Group's total investment in Ultimate Vantage and Gold Value (collectively, the "Associates"), comprising the share of net assets of the Group in the Associates as well as amounts due from the Associates, amounted to approximately HK\$305.5 million as at 31 December 2019 (31 December 2018: HK\$346.4 million). The decrease in total investment of the Group during the year was mainly due to the repayment of amount due from Ultimate Vantage of approximately HK\$1.4 million, and partial repayment of amount due from Gold Value of approximately HK\$59.3 million (out of the repayment of mortgages by the buyers of The Pavilia Bay to Gold Value) (collectively, "Associates' Payments"). During the year ended 31 December 2019, the Group has also received advances from Ultimate Vantage of HK\$148.2 million, being advances from Ultimate Vantage to all its shareholders in proportionate to their respective shareholdings.

The Group's share of profit of Associates amounted to HK\$19.8 million for the year (2018: HK\$465.7 million). The significant decrease was mainly due to the realisation of most of the profits from the TW6 Project in 2018 when most of the units were handed over to the buyers.

The Group's another property development project is represented by the participation in 49% effective interest in the investment instruments for funding the development of Park Row held by Supreme J Limited, an indirect wholly-owned subsidiary of the Company. The Investment Instruments have begun generating interest income for the Group during the second half of 2019. The revenue generated from the Investment Instruments during the year amounted to approximately HK\$41.4 million (2018: nil).

Another of the Group's property development project is represented by investment in 657–667 Mission Street Venture LLC, a 45% associate of the Group, and its subsidiaries (collectively, the "Mission Street Group"). The Mission Street Group owns Mission with a total gross floor area of approximately 155,000 square feet.

The Group also began sharing Mission Street Group's results in the second half of 2019. During the year, Mission continued to be under renovation and the Group had shared a loss of HK\$3.0 million from Mission Street Group in the second half of 2019. Mission is expected to begin generating revenue for the Mission Street Group in 2021.

The HK Acquisition completed on 1 November 2019. As stated in the announcement of the Company dated 29 August 2019 and circular dated 30 September 2019 relating to the HK Acquisition, the Chun Yeung Street Property is intended to be re-developed and has not begun generating revenue for the Group during the year.

Segment profit amounted to approximately HK\$65.0 million for the year (2018: HK\$473.2 million), representing a decrease of approximately 86%. The decrease was mainly due to the significant decrease in share of profit of associates.

Asset management

From the second half of 2019, the Group began providing asset management services to VPHK Parties with respect to VPHK Parties' projects in Hong Kong, the United Kingdom and the United States of America. In return, the asset management service fees calculated at 1.25% per annum of the total capital of the relevant projects invested by VPHK Parties was charged by the Group. During the year, the Group's revenue from the provision of asset management services amounted to approximately HK\$82.9 million (2018: nil).

Gross profit and segment profit from the provision of asset management services amounted to approximately HK\$25.8 million (2018: nil) and HK\$25.7 million (2018: nil), respectively, for the year.

Head office and corporate expenses

Head office and corporate expenses, net of unallocated income, were approximately HK\$32.5 million during the year (2018: HK\$10.2 million). The increase was mainly due to a significant increase in legal and professional fees incurred for the Acquisitions and the HK Acquisition and the increase in average number of staff during the year.

Finance income

Remaining net proceeds generated from the Rights Issue (as defined below) and a portion of Associates' Payments have been placed with banks to earn interest income during the year. Finance income for the year amounted to approximately HK\$24.8 million (2018: HK\$20.8 million), comprising interest income on bank deposits and bank balances of HK\$17.8 million (2018: HK\$13.5 million) due to the increase in both of bank interest rates and the average bank balances during the year, and interest income on shareholders' loans due from Gold Value which amounted to approximately HK\$7.0 million (2018: HK\$7.3 million).

FINANCIAL REVIEW

Rights issue

In August 2015, the Group raised net proceeds of HK\$1,032.2 million through a rights issue on the basis of one rights share for every two existing shares of the Company held on 13 July 2015 at the subscription price of HK\$8.04 per rights share (the “Rights Issue”).

During the year, the net proceeds from the Rights Issue has been utilised by the Company as follows:

Purpose	Aggregate amount unutilised as at 1 January 2019 <i>HK\$ million</i>	Amount utilised during the year <i>HK\$ million</i>	Aggregate amount utilised as at 31 December 2019 <i>HK\$ million</i>
Land or property acquisition	393	(393)	(393)
Provision of Mortgages through Gold Value	–	–	(243)
Sales and marketing expenses and other expenditure not covered by permitted use of the TW6 Banking Facilities	–	–	(46)
Upgrading the air conditioning system in Regent Centre	–	–	(27)
Repayment of bank loan	–	–	(323)
Total	<u>393</u>	<u>(393)</u>	<u>(1,032)</u>

During the year, the remaining net proceeds from the Rights Issue of approximately HK\$393 million have been used in satisfying the partial consideration of the Acquisitions. Accordingly, as at 31 December 2019, the net proceeds from the Rights Issue were fully utilised.

There has been no material change in the proposed use of proceeds as disclosed in the announcement of the Company on 26 February 2018.

Liquidity and financial resources

Equity attributable to shareholders of the Company amounted to approximately HK\$3,764.3 million as at 31 December 2019 (31 December 2018: HK\$3,666.7 million). The increase was due to the equity attributable to the shareholders of the Company for the year of HK\$132.6 million less a payment of 2018 final dividend of HK\$35.0 million.

The Group's interest-bearing bank and other borrowings of approximately HK\$1,258.0 million (31 December 2018: nil) as at 31 December 2019 were mainly denominated in pound sterling. The bank loan of HK\$771.9 million (31 December 2018: nil) and the loan from an intermediate holding company of HK\$424.6 million (31 December 2018: nil) were arranged on a floating rate basis, while the lease liabilities of HK\$61.5 million (31 December 2018: nil) were arranged on a fixed rate basis. The increase was due to the financing obtained for the Group's property investment business and the Acquisitions.

The Company has a banking facility of GBP75.0 million (equivalent to approximately HK\$776.8 million) (31 December 2018: nil) in which GBP74.8 million (equivalent to approximately HK\$774.5 million) (31 December 2018: nil) has been utilised as at 31 December 2019. After deducting other borrowing costs capitalised at HK\$2.6 million (31 December 2018: nil), the total outstanding bank loan was HK\$771.9 million. The Group has a borrowing facility from an intermediate holding company of GBP41.0 million (equivalent to HK\$424.6 million) (31 December 2018: nil) in which GBP41.0 million (equivalent to HK\$424.6 million) (31 December 2018: nil) has been utilised as at 31 December 2019, which will be repayable upon third-party financing becoming available to the Group. As at 31 December 2019, the maturity profile of the outstanding bank loan was as follows:

	At 31 December 2019 <i>HK\$'000</i>	At 31 December 2018 <i>HK\$'000</i>
Within 1 year or on demand	10,357	–
After 1 year but within 2 years	10,357	–
After 2 years but within 5 years	751,223	–
	771,937	–

As at 31 December 2019, the debt-to-equity ratio of the Company, which is calculated as interest-bearing bank and other borrowings divided by total equity of the Group, was 33.4% (31 December 2018: nil). The ratio of net debts (interest-bearing bank and other borrowings net of bank balances and cash) divided by total equity was 21.4% (31 December 2018: nil).

The Group's bank balances and cash amounted to HK\$450.9 million as at 31 December 2019. One of the Group's investment properties, Regent Centre, which is free from encumbrances for the time being, can be leveraged to raise funds and bring in additional cash resources to the Group as and when required. Taking these into account, it is expected that the Group should have sufficient working capital for its current requirements.

Risk of fluctuations in exchange rates

As the Group operates in Hong Kong, the United States of America and the United Kingdom, all its assets and liabilities are denominated in Hong Kong dollar, the US dollar and pound sterling. The Group will monitor the foreign exchange exposures and take appropriate measures from time to time in order to minimise the Group's foreign exchange exposures. The Group holds a natural hedge on its foreign exchange exposure in pound sterling by way of the loan from an intermediate holding company to cover its equity investment in Ryder Court.

Capital commitments

The Group had a commitment of HK\$24.7 million as at 31 December 2019 (31 December 2018: nil) in respect of capital expenditure to be incurred in the development of Chun Yeung Street Property.

Contingent liabilities and financial guarantees

The Group had no outstanding contingent liabilities and financial guarantees as at 31 December 2019 (31 December 2018: nil).

Pledge of assets

The Group's investment properties with a carrying value of HK\$1,149.5 million at 31 December 2019 (31 December 2018: nil) were pledged to secure banking facilities of the Group.

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

Except for the Acquisitions and the HK Acquisition, there were no other significant investments held, material acquisitions or disposals of subsidiaries and associates during the year.

EMPLOYEES AND REMUNERATION POLICY

The Group had 91 employees as at 31 December 2019 (31 December 2018: 3). As a result of the increase in the number of employees, there was an increase in staff costs (including Directors' emoluments) to approximately HK\$50.1 million (2018: HK\$5.4 million) during the year.

VPHK provides administrative and management support to the Group on a cost basis. During the year, total fee payable to VPHK in relation to administrative and management support to the Group amounted to approximately HK\$5.1 million during the year (2018: HK\$2.2 million), with the increase mainly attributable to the increase in the number of employees in Hong Kong.

The Executive Directors periodically review the adequacy of the staffing of the Group by reference to the Group's business requirements. 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 mandatory provident fund scheme. Other employment benefits are awarded at the discretion of the Group.

OUTLOOK

It is expected that 2020 will be another year filled with uncertainties, as a result of the outbreak of coronavirus disease 2019 (COVID-19), the slowing growth of global economy, the presidential election of the United States of America, the phase-two trade deal between the US and China and the negotiations following the Brexit event between the European Union and the United Kingdom. Above all, while the various countries and the global population is actively fighting against the COVID-19 epidemic, it is uncertain how it will impact the global economy in the near future. All of these uncertainties have brought and is expected to bring certain level of impact on the markets which the Group operates in.

The Group is financially healthy and with appropriate cost management, the Group is prepared for any economic pressure that may arise from the aforesaid uncertainties. Besides, the Group believes uncertainties create opportunities — the Group will keep an eye on investment opportunities, including those in other real estate markets in the world, which have good development and investment potential with the objective of being open-minded about new opportunities for growth and expansion of the Group's business and value creation for the Shareholders as a whole.

The Group's investment properties in Hong Kong and London, Regent Centre and Ryder Court, are expected to maintain the occupancy rate and passing rent in 2020. In addition, the Group's investment instruments and asset management business are expected to generate stable revenue and profits in 2020.

FINAL DIVIDEND

The Directors recommend the payment of a final dividend of HK\$0.09 per share (2018: HK\$0.09 per share). Subject to the passing of the relevant resolution at the annual general meeting of the Company to be held on 22 May 2020 (the “**2020 AGM**”), the final dividend will be payable to the shareholders on or about 10 June 2020.

CLOSURE OF REGISTER OF MEMBERS AND THE TRANSFER BOOKS

The Register of Members and the Transfer Books of the Company will be closed during the following periods:

(i) For ascertaining the shareholders' entitlement to attend and vote at the 2020 AGM

The Register of Members and the Transfer Books of the Company will be closed from Tuesday, 19 May 2020 to Friday, 22 May 2020, both days inclusive, for the purpose of ascertaining the shareholders' entitlement to attend and vote at the 2020 AGM. In order to be eligible to attend and vote at the 2020 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited (“**Computershare**”) at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, 15 May 2020.

(ii) For ascertaining the shareholders' entitlement to the proposed final dividend

The Register of Members and the Transfer Books of the Company will be closed on Monday, 1 June 2020 for the purpose of ascertaining the shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with Computershare at the abovementioned address no later than 4:30 p.m. on Friday, 29 May 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) during the year ended 31 December 2019, 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.

As disclosed in the Company's announcement dated 13 February 2019, Mr. Zhang Xu and Ms. Que Dongwu have been appointed as Chairman and Chief Executive Officer respectively on 13 February 2019. This code provision has been complied with since 13 February 2019.

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.

The Company Secretary has reported to the Board Chairmen and the Chief Executive Officer since 13 February 2019. This code provision has been complied since 13 February 2019.

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 during the year ended 31 December 2019. 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. The Board reviews and monitors the compliance of such codes and guidelines periodically.

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the code provisions under the CG Code. The Audit Committee has reviewed the Group’s annual results for the year ended 31 December 2019, including the accounting policies and practices adopted by the Group, and also discussed the internal control and financial reporting matters applicable to the Group with the management.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s shares during the year ended 31 December 2019.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2019 as set out in this preliminary announcement have been compared by the Group’s auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group’s draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditor.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the website of the Company at www.vankeoverseas.com and the website of the Hong Kong Stock Exchange at www.hkexnews.hk. The annual report of the Company will be despatched to shareholders and published on the aforesaid websites in due course.

BOARD OF DIRECTORS

At the date of this announcement, the Directors of the Company are:

Executive Directors:

Mr. Zhang Xu (Chairman)

Ms. Que Dongwu (Chief Executive Officer)

Mr. Lee Kai-Yan

Ms. Lin Lily

Non-Executive Director:

Mr. Chan Chi Yu

Independent Non-Executive Directors (in alphabetical order):

Mr. Chan Wai Hei, William

Ms. Law Chi Yin, Cynthia

Mr. Zhang Anzhi

By order of the Board
Vanke Overseas Investment Holding Company Limited
Que Dongwu
Chief Executive Officer and
Executive Director

Hong Kong, 13 March 2020