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# vanke

萬科置業(海外)有限公司  
**Vanke Property (Overseas) Limited**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 01036)**

## ANNOUNCEMENT OF UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

### INTERIM RESULTS

The Board of Directors (the “**Board**”) of Vanke Property (Overseas) Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2019 (the “**Period**”) as follows:

### Consolidated Statement of Comprehensive Income For the six months ended 30 June 2019

		<b>Unaudited</b>	
		<b>For the six months ended</b>	
	<i>Note</i>	<b>30 June 2019</b>	<b>30 June 2018</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	3	<b>51,136</b>	50,328
Cost of services		<b>(10,514)</b>	(10,705)
<b>Gross profit</b>		<b>40,622</b>	39,623
Other income	4	<b>355</b>	194
Administrative, leasing and marketing expenses		<b>(18,836)</b>	(6,336)
Increase in fair value of investment properties		<b>32,564</b>	136,005
<b>Operating profit</b>		<b>54,705</b>	169,486
Finance income	5(a)	<b>14,666</b>	7,440
Share of results of associates		<b>14,451</b>	756
<b>Profit before taxation</b>	5	<b>83,822</b>	177,682
Taxation charge	6	<b>(6,060)</b>	(6,718)
<b>Profit and total comprehensive income for the period and attributable to shareholders of the Company</b>		<b>77,762</b>	170,964
		<i>HK\$</i>	<i>HK\$</i>
<b>Earnings per share — basic and diluted</b>	7	<b>0.20</b>	0.44

Details of dividends paid and payable to shareholders of the Company are set out in note 8.

**Consolidated Statement of Financial Position**  
*At 30 June 2019*

		<b>Unaudited</b>	Audited
		<b>At</b>	At
		<b>30 June</b>	31 December
		<b>2019</b>	2018
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	9,823	137
Investment properties	10	3,136,799	1,968,000
Interests in associates	11	481,574	338,435
Investment instruments	12	522,798	–
Other non-current assets	13	52,337	–
		<u>4,203,331</u>	<u>2,306,572</u>
<b>Current assets</b>			
Trade and other receivables	13	14,696	5,074
Amount due from an associate	11	6,375	7,973
Tax recoverable		1,806	1,827
Bank balances and cash		934,533	1,425,085
		<u>957,410</u>	<u>1,439,959</u>
<b>Current liabilities</b>			
Other payables and accruals	14	(63,838)	(31,919)
Amount due to an intermediate holding company	15	(17,559)	(1,322)
Amount due to an associate	11	(125,585)	–
Amounts due to fellow subsidiaries	15	(26,534)	–
Loan from an intermediate holding company	16	(365,979)	–
Bank loan	18	(9,919)	–
Lease liabilities	17	(2,522)	–
Tax payable		(10,205)	(5,557)
		<u>(622,141)</u>	<u>(38,798)</u>
<b>Net current assets</b>		<u>335,269</u>	<u>1,401,161</u>
<b>Total assets less current liabilities</b>		<u>4,538,600</u>	<u>3,707,733</u>

		<b>Unaudited</b>	Audited
		<b>At</b>	At
		<b>30 June</b>	31 December
		<b>2019</b>	2018
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current liabilities</b>			
Bank loan	18	(728,735)	–
Lease liabilities	17	(57,948)	–
Deferred tax liabilities		(42,235)	(40,966)
		<u>(828,918)</u>	<u>(40,966)</u>
<b>NET ASSETS</b>		<u><b>3,709,682</b></u>	<u>3,666,767</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		3,895	3,895
Reserves		3,705,576	3,662,872
<b>Total equity attributable to shareholders of the Company</b>		<b>3,709,471</b>	3,666,767
<b>Non-controlling interests</b>		<b>211</b>	–
<b>TOTAL EQUITY</b>		<u><b>3,709,682</b></u>	<u>3,666,767</u>

## Notes

### 1. GENERAL INFORMATION

The Company 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 P.O. Box 309, Uglund 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 asset management, and property development and investment.

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. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation

The interim results set out in the announcement do not constitute the Group’s interim report for the six months ended 30 June 2019 but are extracted from the report.

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 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 2018, except for (1) the accounting policy changes as set out in note 2(b); and (2) new accounting policy adopted for the investment instruments as set out in note 12 that are expected to be reflected in the financial statements for the year ending 31 December 2019.

The preparation of 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.

The Interim Financial Information contains condensed consolidated 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 since the 2018 annual financial statements. 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 Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The Interim Financial Information is unaudited, but has been reviewed by KPMG 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 HKICPA. In addition, the Interim Financial Information has been reviewed by the Company’s Audit Committee.

**(b) Change in accounting policies**

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.

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 the Interim Financial Information. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

***HKFRS 16, Leases***

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*.

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

*As a lessee*

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.

The Group decided to apply recognition exemptions to short-term leases that have a lease term of 12 months or less and leases of low-value assets. For leases of other assets, the Group recognised right-of-use assets and lease liabilities.

*As a lessor*

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

***Impacts on the Interim Financial Information***

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. The Group entered into a new lease for leasing an office premise with fixed monthly payment term and acquired a subsidiary with lease arrangement during the six months ended 30 June 2019. The financial impacts for these leases are set out in notes 9, 17 and 19.

### 3. REVENUE AND SEGMENT INFORMATION

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

	For the six months ended	
	2019 HK\$'000	2018 HK\$'000
<i>Revenue within the scope of HKAS 17</i>		
Rental income from investment properties	43,347	42,649
<i>Revenue from contracts with customers within the scope of HKFRS 15</i>		
Property management fee income	7,789	7,679
	<u>51,136</u>	<u>50,328</u>

(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 head office and corporate expenses (net of unallocated income), 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 and financing:	Share of the results of associates that principal activities are property development and financing, the handling fee and interest income from an associate

The segment results are as follows:

**For the six months ended 30 June 2019 (the “Period”)**

	<b>Property investment <i>HK\$'000</i></b>	<b>Property development <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
Revenue	<u>51,136</u>	<u>–</u>	<u>51,136</u>
Segment results before change in fair value of investment properties	<b>40,045</b>	<b>18,001</b>	<b>58,046</b>
Increase in fair value of investment properties	<u>32,564</u>	<u>–</u>	<u>32,564</u>
Segment results	<b>72,609</b>	<b>18,001</b>	<b>90,610</b>
Head office and corporate expenses (net of unallocated income)			<b>(17,904)</b>
Finance income — bank interest income			<u>11,116</u>
Profit before taxation			<b>83,822</b>
Taxation charge			<u>(6,060)</u>
Profit for the Period			<u><u>77,762</u></u>

**For the six months ended 30 June 2018**

	<b>Property investment <i>HK\$'000</i></b>	<b>Property development <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
Revenue	<u>50,328</u>	<u>–</u>	<u>50,328</u>
Segment results before change in fair value of investment properties	38,869	4,261	43,130
Increase in fair value of investment properties	<u>136,005</u>	<u>–</u>	<u>136,005</u>
Segment results	174,874	4,261	179,135
Head office and corporate expenses (net of unallocated income)			(5,499)
Finance income — bank interest income			<u>4,046</u>
Profit before taxation			177,682
Taxation charge			<u>(6,718)</u>
Profit for the period			<u><u>170,964</u></u>

#### 4. OTHER INCOME

	For the six months ended	
	30 June 2019	30 June 2018
	HK\$'000	HK\$'000
Handling fee income	–	111
Compensation received from tenants on early lease termination	300	32
Others	55	51
	<u>355</u>	<u>194</u>

#### 5. PROFIT BEFORE TAXATION

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

	For the six months ended	
	30 June 2019	30 June 2018
	HK\$'000	HK\$'000
<b>(a) Finance income</b>		
Interest income on bank deposits and bank balances	(11,116)	(4,046)
Interest income on an amount due from an associate	(3,550)	(3,394)
	<u>(14,666)</u>	<u>(7,440)</u>
<b>(b) Others</b>		
Depreciation	48	56
Contributions to defined contribution plan	53	37
Salaries, wages and other benefits (including Directors' emoluments)	4,258	3,260
Net foreign exchange loss	1,651	–
Rental and related income from investment properties less direct outgoings of HK\$10,514,000 (six months ended 30 June 2018: HK\$10,705,000)	(40,622)	(39,623)
	<u>(40,622)</u>	<u>(39,623)</u>

#### 6. TAXATION CHARGE

	For the six months ended	
	30 June 2019	30 June 2018
	HK\$'000	HK\$'000
<b>Current tax</b>		
Hong Kong Profits Tax	4,791	5,228
<b>Deferred tax</b>		
Origination and reversal of temporary differences	1,269	1,490
	<u>6,060</u>	<u>6,718</u>

Provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2018: 16.5%) on the estimated assessable profits for the Period.

Share of associates' taxation charge of HK\$277,000 (six months ended 30 June 2018: HK\$8,000) is included in the results of associates for the Period.



## 7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of HK\$77,762,000 (six months ended 30 June 2018: HK\$170,964,000), and 389,527,932 shares (six months ended 30 June 2018: 389,527,932 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 2018: nil).

## 8. 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 2018: nil).

### (b) Dividend attributable to the previous financial year, approved and paid during the interim period

	For the six months ended	
	30 June 2019	30 June 2018
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the Period, of HK\$0.09 (six months ended 30 June 2018: HK\$0.03) per share	<u>35,058</u>	<u>11,686</u>

## 9. PROPERTY, PLANT AND EQUIPMENT

During the Period, addition of property, plant and equipment amounted to HK\$9,656,000, which represented right-of-use assets arising from the lease of an office premise with fixed monthly lease payment term.

## 10. INVESTMENT PROPERTIES

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
At 1 January	1,968,000	1,830,000
Acquisitions of subsidiaries (note 19)	1,135,339	–
Additions	896	1,995
Fair value gain	<u>32,564</u>	<u>136,005</u>
At 30 June/31 December	<u>3,136,799</u>	<u>1,968,000</u>

Investment properties of the Group were revalued as at 30 June 2019. The valuations were carried out by independent firms 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 is 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.

## 11. INTERESTS IN ASSOCIATES AND AMOUNTS DUE FROM/TO ASSOCIATES

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Share of net assets ( <i>note (a)</i> )	249,915	79,714
Amount due from an associate (non-current) ( <i>note (b)(i)</i> )	231,659	258,721
	<u>481,574</u>	<u>338,435</u>
Amount due from an associate (current) ( <i>note (b)(i)</i> )	<u>6,375</u>	<u>7,973</u>
Amount due to an associate (current) ( <i>note (b)(ii)</i> )	<u>(125,585)</u>	<u>–</u>

### Notes:

- (a) The balance included the newly acquired associates (through acquisition of subsidiaries) of HK\$157,165,000 during the Period (see note 19).
- (b) Amounts due from/to associates comprise of:
- (i) An amount due from Gold Value Limited of HK\$238,034,000 (31 December 2018: HK\$266,694,000) is unsecured and interest-bearing at Hong Kong Prime Rate minus 2.1% per annum. The amount of HK\$6,375,000 (31 December 2018: HK\$7,973,000) is expected to be recovered within one year, while the remaining amount of HK\$231,659,000 (31 December 2018: HK\$258,721,000) will be recovered after one year.
  - (ii) An amount due to Ultimate Vantage Limited of HK\$125,585,000 (31 December 2018: nil) at 30 June 2019 is unsecured, interest-free and repayable on demand.

## 12. INVESTMENT INSTRUMENTS

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\$341,305,000 is secured by the equity interest of a borrower, while the remaining balance of HK\$181,493,000 is unsecured.

The instruments are stated at amortised cost as they are held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the instruments calculated using the effective interest method.

### 13. TRADE AND OTHER RECEIVABLES

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Trade receivables	891	530
Unamortised rent receivables	61,276	944
Other receivables	865	870
Deposits	3,243	2,603
Prepayments	758	127
	<u>67,033</u>	<u>5,074</u>
<i>Representing:</i>		
Current	14,696	5,074
Non-current (unamortised rent receivables)	52,337	–
	<u>67,033</u>	<u>5,074</u>

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

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
0 to 30 days	810	500
31 to 90 days	81	30
	<u>891</u>	<u>530</u>

Trade receivables are due within 15 days from the date of revenue recognition.

### 14. OTHER PAYABLES AND ACCRUALS

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Other payables	1,191	1,148
Receipts in advance	13,857	510
Rental and other deposits received	24,777	24,673
Accruals	24,013	5,588
	<u>63,838</u>	<u>31,919</u>

Except for the rental and other deposits received on properties of HK\$16,379,000 (31 December 2018: HK\$15,015,000) which are expected to be settled after one year, all of the other payables and accruals are expected to be settled or recognised as income within one year or are repayable on demand.

### 15. AMOUNTS DUE TO AN INTERMEDIATE HOLDING COMPANY AND FELLOW SUBSIDIARIES

The amounts due to an intermediate holding company and fellow subsidiaries are unsecured, interest-free and repayable on demand.

## 16. LOAN FROM AN INTERMEDIATE HOLDING COMPANY

The loan from an intermediate holding company is unsecured, interest-bearing at the 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.

## 17. LEASE LIABILITIES

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

	At 30 June 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	2,522	5,298	–	–
After 1 year but within 2 years	2,659	5,341	–	–
After 2 years but within 5 years	4,515	12,051	–	–
After 5 years	50,774	292,020	–	–
	<u>57,948</u>	<u>309,412</u>	–	–
	<u>60,470</u>	<u>314,710</u>	–	–
Less: total future interest expenses		<u>(254,240)</u>		–
Present value of lease liabilities		<u>60,470</u>		–

## 18. BANK LOAN

	At 30 June 2019 <i>HK\$’000</i>	At 31 December 2018 <i>HK\$’000</i>
Secured bank loan	741,786	–
Other borrowing costs capitalised	<u>(3,132)</u>	–
Total bank loan	<u>738,654</u>	–
<i>Representing secured bank loan repayable:</i>		
Within 1 year or on demand	9,919	–
After 1 year but within 2 years	9,919	–
After 2 years but within 5 years	<u>718,816</u>	–
	<u>728,735</u>	–
Total bank loan	<u>738,654</u>	–

The banking facility at 30 June 2019 of £75,000,000 (equivalent to HK\$743,910,000) was secured by all assets held by a subsidiary. These included the Group's investment properties of HK\$1,135,339,000 at 30 June 2019.

Among the total banking facility, the balance of £74,785,000 (equivalent to HK\$741,786,000) was utilised as at 30 June 2019. The bank loan is interest-bearing at the LIBOR plus 1.95% per annum and will be matured on 16 January 2022. Pursuant to the banking facility agreement, all accrued interests up to 15 January 2019 are capitalised as the loan balance.

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 30 June 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.

## **19. ACQUISITION OF SUBSIDIARIES**

During the Period, the Group acquired the following subsidiaries:

### **Acquisition of Lithium Topco Limited**

On 7 March 2019, the Group entered into an agreement which Vanke Property (Hong Kong) Company Limited ("VPHK"), an intermediate holding company, to acquire approximately 99.95% effective interest in Lithium Topco Limited at a consideration of £40,997,000 (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 an agreement with VPHK to acquire the entire issued share capital of 657-667 Mission Limited at a consideration of 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 an agreement with Chogori Investment (Hong Kong) Limited, a fellow subsidiary, to acquire the entire issued share capital of Supreme J Limited at a consideration of US\$66,927,000 (equivalent to approximately HK\$522,798,000). Supreme J Limited (the "NY Target") is principally invested in investment instruments.

Details of the above transactions 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.

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

	<b>London Target Group</b> <i>HK\$'000</i>	<b>SF Target Group</b> <i>HK\$'000</i>	<b>NY Target</b> <i>HK\$'000</i>	<b>Total</b> <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
Trade and other receivables	61,177	–	–	61,177
Bank balances and cash	28,862	–	–	28,862
Other payables and accruals	(23,576)	–	–	(23,576)
Amount due to an intermediate holding company	(3,960)	(51)	–	(4,011)
Amounts due to fellow subsidiaries	(714)	(18)	–	(732)
Bank loan	(738,654)	–	–	(738,654)
Lease liabilities	(50,815)	–	–	(50,815)
Tax payable	(813)	–	–	(813)
Net identified assets and liabilities	406,846	157,096	522,798	1,086,740
Non-controlling interests	(203)	–	–	(203)
Total consideration	<u>406,643</u>	<u>157,096</u>	<u>522,798</u>	<u>1,086,537</u>
Cash consideration paid	386,997	164,870	497,710	1,049,577
Consideration payable (included in amounts due to an intermediate holding company and fellow subsidiaries)	19,646	(7,774)	25,088	36,960
Total consideration	<u>406,643</u>	<u>157,096</u>	<u>522,798</u>	<u>1,086,537</u>
Cash consideration paid	386,997	164,870	497,710	1,049,577
Total bank balances and cash acquired	(28,862)	–	–	(28,862)
Net cash outflow	<u>358,135</u>	<u>164,870</u>	<u>497,710</u>	<u>1,020,715</u>

Given the above acquisitions are completed on 30 June 2019, the above subsidiaries do not contributed any revenue nor profit to the Group for the Period. Should the acquisitions had occurred on 1 January 2019, the revenue and the profit attributable to the equity shareholders of the Company for the Period would have been HK\$77,368,000 and HK\$157,016,000 respectively.

The Group incurred acquisition-related costs of HK\$9,093,000 for the above acquisitions, and have been included in “Administrative, leasing and marketing expenses”.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the six months ended 30 June 2019 (the “**Period**”), the Group’s revenue is derived from the leasing of units and car parking spaces in Regent Centre. Revenue for the Period was HK\$51.1 million (six months ended 30 June 2018: HK\$50.3 million), representing an increase of 2%. The increase was mainly due to the improved average occupancy and the increase in average passing rent for the units in Regent Centre during the Period.

The Group’s investment in Regent Centre was fair valued at HK\$2,001.5 million as at 30 June 2019 (31 December 2018: HK\$1,968.0 million), representing an increase of 2%. 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 fair value gain amounted to HK\$32.6 million for the Period (six months ended 30 June 2018: HK\$136.0 million). Due to the decrease in the amount of fair value gain on the investment properties, the profit attributable to the shareholders for the Period decreased to HK\$77.7 million (six months ended 30 June 2018: HK\$171.0 million).

Excluding the change in fair value of Regent Centre, the Group’s underlying profit for the Period was HK\$45.2 million (six months ended 30 June 2018: HK\$35.0 million), representing an increase of 29%. The increase was mainly due to an increase in the Group’s share of profit of associates and interest income.

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 for funding the development of the property located at 25 Park Row, New York, the United States of America (“**Park Row**”). In addition, the management services framework agreement also took effect on 30 June 2019 pursuant to which the Group is to provide management services to Vanke Property (Hong Kong) Company Limited and certain of its subsidiaries (the “**VPHK Parties**”) (including other subsidiaries of China Vanke Co., Ltd (“**China Vanke**”) which may become interested in any real estate development and/or investment projects in the United States of America and the United Kingdom) (the “**Management Services**”).

For details of the Acquisitions 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.

## Property Investment

The Group's investment properties comprise (i) various portions of 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.

Another of the Group's property investment 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.

During the Period, the Group renewed the leases of Regent Centre at a positive rental reversion. Occupancy of Regent Centre remained at a high level of 98% as at 30 June 2019 (30 June 2018: 97%) with passing rent at HK\$9.9 per square foot as at 30 June 2019 (30 June 2018: HK\$9.6 per square foot). Apart from monthly rent, the tenants are responsible for payment of 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 HK\$51.1 million (six months ended 30 June 2018: HK\$50.3 million).

Ryder Court has not generated revenue for the Group and the Group has not shared Mission Street Group's results during the Period as the Group completed the Acquisitions on 30 June 2019. Ryder Court is expected to generate revenue for the Group and the Group will share Mission Street Group's results in the second half of 2019.

Gross profit from operations for the Period was HK\$40.6 million (six months ended 30 June 2018: HK\$39.6 million) at a cost-to-revenue ratio of 21% (six months ended 30 June 2018: 21%).

Segment profit after deducting property management fees, carpark management expenses, leasing commission and other operating expenses but before change in fair value of Regent Centre amounted to HK\$40.0 million for the Period (six months ended 30 June 2018: HK\$38.9 million). The increase was mainly due to the increase in gross profit from operation.

## Property development

The Group's property development project 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 West Rail Tsuen Wan West Station TW6 Property Development Project (the "**TW6 Project**" and also known as "**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 Associates as well as amounts due from the Associates, amounted to approximately HK\$330.8 million as at 30 June 2019 (31 December 2018: HK\$346.4 million). The decrease in total investment of the Group during the Period was mainly due to the repayment of amount due from Ultimate Vantage of approximately HK\$1.4 million and the partial repayment of amount due from Gold Value of approximately HK\$28.7 million (out of the repayment of mortgage financing by the buyers of The Pavilia Bay to Gold Value). During the Period, the Group has also received advances from Ultimate Vantage of HK\$125.6 million, being advances from Ultimate Vantage to all its shareholders in proportionate to their respective shareholdings, and share profit of associates of HK\$14.5 million.

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 not generated interest income for the Group during the Period but is expected to generate interest income for the Group in the second half of 2019.

Segment profit amounted to approximately HK\$18.0 million for the Period (six months ended 30 June 2018: HK\$4.3 million), mainly due to share of profit of associates.

The Group’s share of profit of associates amounted to approximately HK\$14.5 million for the Period (six months ended 30 June 2018: HK\$0.8 million). The increase was mainly due to recognition of profits by Ultimate Vantage on the TW6 Project.

### **Asset management**

From the second half of 2019, the Group will provide asset management services to VPHK Parties with respect to VPHK Parties’ projects in 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 will be charged by the Group.

### **Head office and corporate expenses**

Head office and corporate expenses, net of unallocated income, were HK\$17.9 million during the Period (six months ended 30 June 2018: HK\$5.5 million). The increase was mainly due to the increase in staff costs, and legal and professional fee incurred for advice on the Acquisitions and the Management Services during the Period.

## Finance income

Remaining net proceeds generated from the Rights Issue (as defined below) and the repayments from the Associates have been placed with banks to earn interest income during the Period. Finance income for the Period amounted to approximately HK\$14.7 million (six months ended 30 June 2018: HK\$7.4 million), comprising interest income on bank deposits and bank balances which increased from approximately HK\$4.0 million for the six months ended 30 June 2018 to approximately HK\$11.1 million for the Period. Increase of finance income is primarily due to the increase in bank interest rates and the increase in bank balances. Interest income on shareholders' loans due from Gold Value amounted to approximately HK\$3.6 million for the Period (six months ended 30 June 2018: HK\$3.4 million).

## Events after the Reporting Period

There have been no matters that have occurred subsequent to the reporting date which have significantly affected, or may significantly affect the Group's operations, results or state of affairs.

## 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 Period, the net proceeds from the Rights Issue has been utilised by the Company as follows:

<b>Purpose</b>	<b>Aggregate amount unutilised as at 1 January 2019</b> <i>HK\$ million</i>	<b>Amount utilised during the Period</b> <i>HK\$ million</i>	<b>Aggregate amount utilised as at 30 June 2019</b> <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)
<b>Total</b>	<b>393</b>	<b>(393)</b>	<b>(709)</b>

During the Period, 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 30 June 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, financial resources, gearing and capital structure**

Equity attributable to shareholders of the Company amounted to HK\$3,709.5 million as at 30 June 2019 (31 December 2018: HK\$3,666.8 million). The increase was due to the profit attributable to the shareholders of the Company for the Period of HK\$77.7 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\$1,165.1 million (31 December 2018: nil) as at 30 June 2019 were mainly denominated in pound sterling. The bank loan of HK\$738.6 million and the loan from an intermediate holding company of HK\$366.0 million were arranged on a floating rate basis, while the lease liabilities of HK\$60.5 million 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\$743.9 million) (31 December 2018: nil) in which GBP74.8 million (equivalent to approximately HK\$741.8 million) (31 December 2018: nil) has been utilised as at 30 June 2019. After deducting other borrowing costs capitalised of HK\$3.1 million (31 December 2018: nil), the total outstanding bank loan was HK\$738.6 million (31 December 2018: nil). The Group has a borrowing facility from an intermediate holding company of GBP41.0 million (equivalent to HK\$406.6 million) (31 December 2018: nil) in which GBP36.9 million (equivalent to HK\$366.0 million) (31 December 2018: nil) has been utilised as at 30 June 2019. The loan from an intermediate holding company will be payable upon third-party financing becoming available to the Group. As at 30 June 2019, the maturity profile of outstanding bank loan was as follows:

	<b>At 30 June 2019 HK\$'000</b>	<b>At 31 December 2018 HK\$'000</b>
Within 1 year or on demand	<b>9,919</b>	–
After 1 year but within 2 years	<b>9,919</b>	–
After 2 years but within 5 years	<b>718,816</b>	–
	<b>738,654</b>	–

As at 30 June 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 31.4% (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 6.2% (31 December 2018: nil).

The Group's bank balances and cash amounted to HK\$934.5 million as at 30 June 2019 (31 December 2018: HK\$1,425.1 million). 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 no significant capital commitments as at 30 June 2019 (31 December 2018: nil).

### **Contingent liabilities and financial guarantees**

The Group had no outstanding contingent liabilities and financial guarantees as at 30 June 2019 (31 December 2018: nil).

### **Pledge of assets**

As at 30 June 2019, the Group's secured bank loan was secured by all assets held by Lithium Real Estate (Jersey) Limited, an indirect non-wholly owned subsidiary which holds Ryder Court, the investment property of the Company located in London.

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

Except for the Acquisitions disclosed in note 19 to the unaudited interim results, there were no other significant investments held, material acquisitions or disposals of subsidiaries and associates during the Period.

### **EMPLOYEES AND REMUNERATION POLICY**

The Group had 33 employees as at 30 June 2019 (31 December 2018: three). As a result of the increase in the number of directors and the higher average remuneration packages of the employees in Hong Kong office, there was an increase in staff costs (including emoluments of directors of the Company (the "**Directors**")) to approximately HK\$4.3 million (six months ended 30 June 2018: HK\$3.2 million) during the Period. As at 30 June 2019, 28 employees were transferred to the Group and the Group has not incurred staff costs for these staff during the Period.

Vanke Property (Hong Kong) Company Limited (“**Vanke HK**”) provides administrative and management support to the Group on a cost basis. Total fee payable to Vanke HK amounted to approximately HK\$1.0 million during the Period (six months ended 30 June 2018: HK\$1.3 million), with the decrease mainly attributable to the decrease in the average number of employees in Hong Kong office to five (six months ended 30 June 2018: six) during the Period.

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 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 2018: nil).

## **OUTLOOK**

Despite the trade war between the United States of America and China, the Brexit event and the recent economic uncertainties in Hong Kong, Hong Kong property price recorded an increase while the property price in the United States of America and the United Kingdom remained stable in the first half of 2019. The Group will be cautiously optimistic and continue to seek opportunities in both Hong Kong and overseas property markets for business diversification and expansion.

The Acquisitions and the joining of the relevant management personnel who possess the relevant expertise and experience in property markets in the United Kingdom and United States of America will increase the capability of the Group to further invest and expand in the United Kingdom and the United States of America. With the established business relationship of China Vanke and its appropriate assistance, the Group will continue to develop itself as the core investment platform in China Vanke Group.

The Group’s investment properties in Hong Kong and London, Regent Centre and Ryder Court, are expected to maintain the current level of high occupancies and passing rent in the second half of 2019. In addition, the Group’s newly acquired investment properties and investment instruments in the United Kingdom and the United States of America are expected to generate revenue and profits in the second half of 2019.

## **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.

## **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.

## **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 Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA, whose unmodified review report is included in the interim report to be sent to the shareholders. The interim financial information has also been reviewed by the Company’s Audit Committee (which does not have any disagreement).

## **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 Period.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This results announcement is published 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). The interim report of the Company will be despatched to shareholders and published on the aforesaid websites in due course.

By order of the Board  
**Vanke Property (Overseas) Limited**  
**Que Dongwu**

*Executive Director and Chief Executive Officer*

Hong Kong, 15 August 2019

*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*