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)**

# (1) RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018; AND (2) APPOINTMENT OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

## 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 consolidated results of the Group for the year ended 31 December 2018 as follows:

**Consolidated Statement of Comprehensive Income**
*For the year ended 31 December 2018*

| | Note | **2018** | 2017 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **Revenue** | *3* | **101,780** | 96,460 |
| Cost of services | | **(22,804)** | (21,520) |
| **Gross profit** | | **78,976** | 74,940 |
| Other income | *4* | **440** | 1,057 |
| Administrative, leasing and marketing expenses | | **(12,092)** | (14,798) |
| Increase in fair value of investment properties | *9* | **136,005** | 100,970 |
| **Operating profit** | | **203,329** | 162,169 |
| Finance income | *5(a)* | **20,779** | 5,576 |
| | | **224,108** | 167,745 |
| Share of result of associates | | **465,682** | 46 |
| **Profit before taxation** | *5* | **689,790** | 167,791 |
| Taxation charge | *6* | **(12,947)** | (12,642) |
| **Profit and total comprehensive income for the year and attributable to shareholders of the Company** | | **676,843** | 155,149 |
| | | ***HK$*** | *HK$* |
| **Earnings per share — basic and diluted** | *8* | **1.74** | 0.40 |

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 Financial Position**
*At 31 December 2018*

| | Note | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Plant and equipment | | **137** | 216 |
| Investment properties | *9* | **1,968,000** | 1,830,000 |
| Interests in associates | *10* | **338,435** | 223,772 |
| | | **2,306,572** | 2,053,988 |
| **Current assets** | | | |
| Trade and other receivables | *11* | **5,074** | 5,860 |
| Amounts due from associates | *10* | **7,973** | 148,884 |
| Tax recoverable | | **1,827** | 2,759 |
| Bank balances and cash | | **1,425,085** | 865,905 |
| | | **1,439,959** | 1,023,408 |
| **Current liabilities** | | | |
| Other payables and accruals | *12* | **(31,919)** | (34,667) |
| Amount due to an intermediate holding company | | **(1,322)** | (2,277) |
| Tax payable | | **(5,557)** | (662) |
| | | **(38,798)** | (37,606) |
| **Net current assets** | | **1,401,161** | 985,802 |
| **Total assets less current liabilities** | | **3,707,733** | 3,039,790 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **(40,966)** | (38,180) |
| **NET ASSETS** | | **3,666,767** | 3,001,610 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **3,895** | 3,895 |
| Reserves | | **3,662,872** | 2,997,715 |
| **TOTAL EQUITY** | | **3,666,767** | 3,001,610 |

*Notes*

## 1. GENERAL INFORMATION

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2018 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 2018 but are extracted from those financial statements.

The consolidated 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. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (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 significant accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017 except for the accounting policy changes that are reflected in these consolidated financial statements for the year ended 31 December 2018.

Details of any changes in accounting policies are set out below.

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, HKFRS 9, *Financial instruments* and HKFRS 15, *Revenue from contracts with customers* are relevant to the Group's consolidated financial statements.

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

### HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. The Group has been impacted by HKFRS 9 in relation to measurement of impairment for financial assets.

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The application of the expected credit loss model will result in earlier recognition of credit losses, but with no material financial impact to the Group.

**HKFRS 15, *Revenue from contracts with customers***

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

Currently the Group's property development activities are carried out in Hong Kong by an associate only. The pre-sale of the associate's only property project started in 2017 and the project is completed and handed over to the customers in the second half of 2018. The Group has assessed that under the transfer-of-control approach in the new standard, revenue from property sales will be recognised when the legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Accordingly, the adoption of HKFRS 15 has no impact on the Group's consolidated financial statements.

## 3. REVENUE AND SEGMENT INFORMATION

Revenue recognised during the year are as follows:

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| *Revenue within the scope of HKAS 17* | | |
| Rental income from investment properties | **86,304** | 81,954 |
| *Revenue from contracts with customers within the scope of HKFRS 15* | | |
| Property management fee income | **15,476** | 14,506 |
| | **101,780** | 96,460 |

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 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 income and interest income from an associate |

**Operating segments**

The segment results are as follows:

| | **Rental and property management** *HK$'000* | **Property development and financing** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|
| ***For the year ended 31 December 2018*** | | | |
| 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** |
| Taxation charge | | | **(12,947)** |
| Profit for the year | | | **676,843** |

| | Rental and property management *HK$'000* | Property development and financing *HK$'000* | Total *HK$'000* |
|---|---|---|---|
| *For the year ended 31 December 2017* | | | |
| Revenue | 96,460 | – | 96,460 |
| Segment results before changes in fair value of investment properties | 72,633 | 3,232 | 75,865 |
| Increase in fair value of investment properties | 100,970 | – | 100,970 |
| Segment results | 173,603 | 3,232 | 176,835 |
| Head office and corporate expenses (net of unallocated income) | | | (12,237) |
| Finance income — bank interest income | | | 3,193 |
| Profit before taxation | | | 167,791 |
| Taxation charge | | | (12,642) |
| Profit for the year | | | 155,149 |

**Geographical information**

No geographical information is shown as the revenue and operating profit of the Group's operations are all derived from activities in Hong Kong.

## 4. OTHER INCOME

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Handling fee income from an associate | **214** | 803 |
| Compensation received from tenants on early lease termination | **32** | 123 |
| Others | **194** | 131 |
| | **440** | 1,057 |

## 5. PROFIT BEFORE TAXATION

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

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **(a) Finance income** | | |
| — Interest income on bank deposits and bank balances | **(13,458)** | (3,193) |
| — Interest income on an amount due from an associate | **(7,321)** | (2,383) |
| | **(20,779)** | (5,576) |
| **(b) Staff costs (including directors' emoluments)** | | |
| Contributions to defined contribution plan | **68** | 107 |
| Salaries, wages and other benefits | **5,360** | 7,717 |
| | **5,428** | 7,824 |
| **(c) Others** | | |
| Auditors' remuneration | | |
| — Audit services | **828** | 700 |
| — Non-audit services | **250** | 220 |
| Depreciation | **98** | 96 |
| Rental and related income from investment properties less direct outgoings of HK$22,804,000 (2017: HK$21,520,000) | **(78,976)** | (74,940) |

## 6. TAXATION CHARGE

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Current tax** | | |
| Hong Kong Profits Tax | **10,255** | 7,616 |
| Over-provision in prior years | **(94)** | (48) |
| | **10,161** | 7,568 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **2,786** | 5,074 |
| | **12,947** | 12,642 |

Provision for Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) on the estimated assessable profits for the year.

Share of associates' taxation charge of HK$79,072,000 (2017: HK$12,000) is included in the results of associates for the year ended 31 December 2018.

## 7. DIVIDENDS

### (a) Dividends attributable to the year

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Final dividend proposed after the end of reporting period of HK$0.09 (2017: HK$0.03) per share | **35,058** | 11,686 |

At a meeting held on 13 February 2019, 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 2019.

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

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.03 (2017: HK$0.03) per share | **11,686** | 11,686 |

## 8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of HK$676,843,000 (2017: HK$155,149,000) and 389,527,932 (2017: 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 (2017: nil).

## 9. INVESTMENT PROPERTIES

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| At 1 January | **1,830,000** | 1,700,810 |
| Additions | **1,995** | 28,220 |
| Fair value gain | **136,005** | 100,970 |
| At 31 December | **1,968,000** | 1,830,000 |

All of the Group's investment properties were revalued at 31 December 2018. The valuations were carried out by an independent firm of surveyors, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, which has among its staff experienced Members of the Hong Kong Institute of Surveyors with recent experience in the location and category of the property being valued. The fair value of investment properties is determined by 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.

## 10. INTERESTS IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES

| | 2018 | 2017 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Share of net assets | **79,714** | 3,348 |
| Amount due from an associate (non-current) *(note (a))* | **258,721** | 220,424 |
| | **338,435** | 223,772 |
| Amounts due from associates (current) *(note (a))* | **7,973** | 148,884 |

*Notes:*

(a) Amounts due from associates comprises of:

(i) An amount due from Gold Value Limited of HK$266,694,000 (2017: HK$226,625,000) is unsecured, interest-bearing at Hong Kong Prime Rate minus 2.1% (2017: 2.1%) per annum and recoverable on demand. The amount of HK$7,973,000 (2017: HK$6,201,000) is expected to be recovered within one year, while the remaining amount of HK$258,721,000 (2017: HK$220,424,000) will be recovered after one year.

(ii) An amount due from Ultimate Vantage Limited of HK$142,683,000 as at 31 December 2017 was unsecured, interest-bearing at Hong Kong Interbank Offered Rate plus 2.2% per annum and has been recovered in full during the year ended 31 December 2018.

## 11. TRADE AND OTHER RECEIVABLES

| | 2018 | 2017 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Trade receivables | **530** | 735 |
| Unamortised rent receivables | **944** | 1,913 |
| Other receivables | **870** | 409 |
| Other deposits | **2,603** | 2,529 |
| Prepayments | **127** | 274 |
| | **5,074** | 5,860 |

Trade receivables represent mainly rental receivables from tenants of the Group's investment properties. The Group has stringent procedures in place to deal with overdue debts. Reminders are issued bi-weekly when trade receivables have been overdue for 15 days, and legal actions will be taken when trade receivables have been overdue for two months. Normally, the Group does not obtain any collateral from tenants. The ageing analysis of trade receivables, based on the date of revenue recognition, is as follows:

| | 2018 | 2017 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| 0 to 30 days | **500** | 717 |
| 31 to 90 days | **30** | 18 |
| | **530** | 735 |

The Group measures loss allowances for trade receivables at an amount equal to lifetime expected credit losses, which is calculated using a provision matrix. Given the Group has not experienced any significant credit losses in the past and holds sufficient rental deposits from tenants to cover potential exposure to credit risk, the allowance for expected credit losses is insignificant.

## 12. OTHER PAYABLES AND ACCRUALS

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Other payables | **1,658** | 1,502 |
| Rental and other deposits received | **24,673** | 23,934 |
| Accruals | **5,588** | 9,231 |
| | **31,919** | 34,667 |

Except for the rental and other deposits received on properties and other payables of HK$15,015,000 (2017: HK$9,441,000) 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group's revenue is derived from the leasing of units and car parking spaces in Regent Centre. Revenue for the year was approximately HK$101.8 million (2017: HK$96.5 million), representing an increase of approximately 5%. The increase was mainly due to the improved occupancy and the increase in passing rent for the units in Regent Centre during the year.

The Group's investment in Regent Centre was at a fair value at approximately HK$1,968.0 million as at 31 December 2018 (31 December 2017: HK$1,830.0 million), representing an increase of approximately 8%. There has been no change in the valuation methodology of the Group's investment properties. After netting off the additions to investment properties of approximately HK$2.0 million, the fair value gain amounted to approximately HK$136.0 million for the year (2017: HK$101.0 million).

Excluding the change in fair value of Regent Centre, the Group's underlying profit for the year was approximately HK$540.8 million (2017: HK$54.2 million), representing an increase of approximately 898%. The increase was mainly due to an increase in revenue from the Group's rental and property management business, interest income and share of profits of associates.

### Rental and property management

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

During the year, the Group renewed a majority of the leases at a positive rental reversion. Occupancy of the Property was maintained at a high level of 99% as at 31 December 2018 (31 December 2017: 97%) against an increase in monthly passing rent to HK$9.7 per square foot as at 31 December 2018 (31 December 2017: HK$9.5 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$101.8 million (2017: HK$96.5 million).

Gross profit from operation for the year increased to approximately HK$79.0 million (2017: HK$74.9 million), mainly due to an increase in revenue. In October 2016, the Group commenced upgrading the air conditioning system in Regent Centre by replacing the existing air conditioning units with new ones using environmentally friendly refrigerants, which are more energy efficient and deliver a better cooling performance. The replacement works were completed in the first quarter of 2018 and the total expenditure was approximately HK$31.0 million.

Segment profit after deducting property management fees payable to a service provider, carpark management expenses, leasing commission and other operating expenses but before change in fair value of the Property amounted to approximately HK$77.4 million for the year (2017: HK$72.6 million). The increase was mainly due to an increase in gross profit from operation.

**Property development and financing**

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 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 Group in the Associates as well as amounts due from the Associates, amounted to approximately HK$346.4 million as at 31 December 2018 (31 December 2017: HK$372.7 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$207.1 million (out of the sales proceeds received by Ultimate Vantage on The Pavilia Bay), and partial repayment of amount due from Gold Value of approximately HK$20.8 million (out of the repayment of mortgages by the buyers of The Pavilia Bay to Gold Value), and the receipt of dividends from Ultimate Vantage of approximately HK$325.0 million (collectively, "**Associates' Payments**"). During the year, the Group has also granted additional advances to Gold Value of approximately HK$60.9 million for the Provision of Mortgages and share profit of associates of HK$465.7 million.

Segment profit amounted to approximately HK$473.2 million for the year (2017: HK$3.2 million), representing an increase of approximately 14,688%. The increase was mainly due to the significant increase in share of profit of associates and interest on advances granted to Gold Value.

The Group's share of profit of associates amounted to HK$465.7 million for the year (2017: HK$46,000). The significant increase was mainly due to recognition of profits from Ultimate Vantage on the sale of The Pavilia Bay.

**Head office and corporate expenses**

Head office and corporate expenses, net of unallocated income, were approximately HK$10.2 million during the year (2017: HK$12.2 million). The decrease was mainly due to the decrease in staff costs 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$20.8 million (2017: HK$5.6 million), comprising interest income on bank deposits and bank balances of HK$13.5 million (2017: HK$3.2 million) due to an increase in both of bank interest rates and bank balances, and interest income on shareholders' loans due from Gold Value which amounted to approximately HK$7.3 million (2017: HK$2.4 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**").

As disclosed in the announcement of the Company dated 26 February 2018 and as at the date thereof, the remaining net proceeds of the Rights Issue amounted to approximately HK$392.9 million and the Group resolved to reallocate the use of all of the then remaining net proceeds of the Rights Issue to acquisition of land or property projects.

During the year, the net proceeds from the Rights Issue has been utilised by the Company or is intended by the Company to be utilised as follows:

| **Purpose** | **Aggregate amount unutilised as at 1 January 2018** | **Amount utilised during the year** | **Amount re-allocated on 26 February 2018** | **Aggregate amount unutilised as at 31 December 2018** | **Aggregate amount utilised as at 31 December 2018** |
|---|---|---|---|---|---|
| | *HK$ million* | *HK$ million* | *HK$ million* | *HK$ million* | *HK$ million* |
| Land or property acquisition | 259 | – | 134 | 393 | – |
| Provision of Mortgages through Gold Value | 122 | (15) | (107) | – | (243) |
| Sales and marketing expenses and other expenditure not covered by permitted use of the TW6 Banking Facilities | 19 | – | (19) | – | (46) |
| Upgrading the air conditioning system in Regent Centre | 13 | (5) | (8) | – | (27) |
| **Total** | **413** | **(20)** | **–** | **393** | **(316)** |

There has been no material change in the proposed use of proceeds as disclosed in the announcement of the Company on 26 February 2018. The Group intends to apply the remaining net proceeds of the Rights Issue to the acquisition of land or property when suitable opportunities arise.

For details, please refer to the Company's announcements dated 24 December 2015, 13 January 2016, 9 August 2016, 5 June 2017 and 26 February 2018 relating to the change of use of the net proceeds from the Rights Issue.

**Liquidity and financial resources**

Equity attributable to shareholders of the Company amounted to approximately HK$3,666.8 million as at 31 December 2018 (31 December 2017: HK$3,001.6 million). The increase was due to the profit attributable to the shareholders of the Company for the year of approximately HK$676.8 million less payment of 2017 final dividend of approximately HK$11.7 million.

The Group had no interest-bearing debts and undrawn banking facilities as at 31 December 2018 (31 December 2017: nil). The Group's bank balances and cash amounted to approximately HK$1,425.1 million as at 31 December 2018 (31 December 2017: HK$865.9 million), of which approximately HK$392.9 million (31 December 2017: HK$413.4 million) was attributable to remaining net proceeds from the Rights Issue. The increase in bank balances and cash was primarily attributable to the receipt of the Associate's Payments of approximately HK$552.8 million. The Group has reallocated part of the remaining proceeds from the Rights Issue for funding its future acquisition of land or property projects. The Group's investment properties, which are debt free for the time being, can be leveraged into additional cash resources as and when required. Taking these into account, it is expected that the Group should have sufficient working capital for its current requirements.

**Treasury policies**

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

The Group has no exposure to interest rate risks, as it does not have any interest-bearing debts for the time being.

**Capital commitments**

The Group had no significant capital commitments as at 31 December 2018. As at 31 December 2017, the Group had a commitment of approximately HK$6.8 million in respect of capital expenditure to be incurred in upgrading the air conditioning system in Regent Centre, of which approximately HK$2.8 million has been contracted for and approximately HK$4.0 million has been authorised but not contracted for.

**Contingent liabilities and financial guarantees**

The Group had no outstanding contingent liabilities and financial guarantees as at 31 December 2018 (31 December 2017: nil).

**Pledge of assets**

There was no pledge on the Group's assets as at 31 December 2018 (31 December 2017: nil).

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

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 three employees as at 31 December 2018 (31 December 2017: six). As a result of the decrease in the number of employees, there was a decrease in staff costs (including Directors' emoluments) to approximately HK$5.4 million (2017: HK$7.8 million) during the year.

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$2.2 million during the year (2017: HK$2.6 million), with the decrease mainly attributable to the decrease in office overhead expenses.

The executive directors of the Company (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.

## OUTLOOK

It is expected that the Hong Kong and global economy will be full of uncertainties in 2019, as a result of the trade war between the US and China, the slowing growth of mainland China economy, Brexit event and the trend of interest rate hike. These uncertainties have impact on the economy, the property market and the market sentiment of Hong Kong.

The Group has been evaluating business opportunities in Hong Kong and certain overseas markets and will continue to do so with the objective to diversify and expand the Group's business. The Company will update its shareholders of such business plan in compliance with applicable laws and regulations as and when appropriate.

The Group's investment property in Hong Kong, Regent Centre, is expected to maintain the current level of high occupancies and passing rent in 2019. The Group will continue to work closely with the property manager in order to maintain the leasing performance.

## FINAL DIVIDEND

The Directors recommend the payment of a final dividend of HK$0.09 per share (2017: HK$0.03 per share), which is to be approved by the shareholders of the Company at the forthcoming annual general meeting of the Company.

## 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 during the year ended 31 December 2018, except for the following deviations:

### Code provision A.2.1

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

The Company has not appointed chairman and chief executive since 1 September 2012. All duties of chairman and chief executive under code provisions A.2.2 to A.2.9 and B.1.1 are shared between Mr. Zhang Xu and Ms. Que Dong Wu, the Executive Directors.

The Board has reviewed the current arrangement and after taking into consideration the Company's intention to expand and diversify its business, the Board considers that it would be in the interest of the Company and its shareholders to appoint a chairman and a chief executive officer with clear division of their responsibilities so as to prepare the Company for its future expansion and development. Please refer to the paragraph below headed "**Appointment of Chairman and Chief Executive Officer**" for further information.

### Code provision A.2.7

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

As the Company has not appointed a chairman during the year, this code provision is not applicable to the Company.

### Code provision F.1.3

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

During the year, the company secretary of the Company reported to the Executive Directors, as the Company has no chairman or chief executive.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries to the Directors, all the Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 December 2018. 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.

## AMENDMENTS TO THE TERMS OF REFERENCE OF AUDIT COMMITTEE, TERMS OF REFERENCE OF NOMINATION COMMITTEE, BOARD DIVERSITY POLICY, CORPORATE GOVERNANCE POLICY AND ADOPTION OF DIVIDEND POLICY

The Hong Kong Stock Exchange has made certain amendments to the Listing Rules (including the CG Code) in relation to corporate governance of issuers. The relevant amendments took effect on 1 January 2019. In this regard, the Company has made and the Board has approved relevant amendments to the Terms of Reference for the Audit Committee, the Terms of Reference for the Nomination Committee, the Board Diversity Policy and the Corporate Governance Policy and adopted a dividend policy accordingly. The Board considered that the amended versions of the Terms of Reference for the Audit Committee, the Terms of Reference for the Nomination Committee, the Board Diversity Policy and the Corporate Governance Policy and the newly adopted dividend policy comply with the Listing Rules as amended.

In accordance with the Listing Rules, the revised Terms of Reference will be uploaded on the website of the Company at www.vankeoverseas.com and the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the amended Board Diversity Policy and Dividend Policy will be summarised or disclosed in the corporate governance report and the annual report of the Company respectively.

## 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 2018, 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 2018.

## SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2018 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 auditors.

## 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.

## APPOINTMENT OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Zhang Xu and Ms. Que Dong Wu, each an Executive Director, have been appointed as the chairman of the Board ("**Chairman**") and the chief executive officer ("**CEO**") of the Company, respectively, with effect from 13 February 2019.

**Mr. Zhang Xu**, aged 55, has been an Executive Director of the Company since July 2012 and Chairman since February 2019. He is also a member of the Nomination Committee of the Company and a director of certain subsidiaries of the Group. He joined China Vanke Co., Ltd. ("**China Vanke**"), a joint stock company established in the PRC with limited liability, the issued H shares of which are listed on the Hong Kong Stock Exchange (stock code: 2202) and the issued A shares of which are listed on the Shenzhen Stock Exchange (stock code: 000002) and the controlling shareholder of the Company, in November 2002, and has been further appointed as an executive director of China Vanke since 30 June 2017. He is currently an Executive Vice President and the Chief Operating Officer of China Vanke as well as a director of Vanke Property (Hong Kong) Company Limited ("**Vanke HK**"), an intermediate holding company of the Company, and a non-executive non-independent director of Banyan Tree Holdings Limited, a company listed on Singapore Exchange Limited ("**SGX**") (stock code: B58.SG). Mr. Zhang has approximately 20 years of experience in real estate business. He obtained a bachelor's degree in Industrial and Civil Construction from Hefei University of Technology in the PRC in August 1984 and a part-time Professional Master of Business Administration from the Troy State University, United States in June 2001. Before joining China Vanke, he has worked at China Overseas Group.

**Ms. Que Dong Wu**, aged 52, has been an Executive Director of the Company since July 2012 and Chief Executive Officer since February 2019. She is also a member of the Remuneration Committee of the Company and a director of certain subsidiaries of the Group. She joined China Vanke in May 1993 and is currently a Vice President of China Vanke and the General Manager of Overseas Business Department of China Vanke, responsible for managing China Vanke's overseas property investment and development platforms. She is also a director of Vanke HK. She has over 15 years of experience in corporate finance and real estate investment. She graduated from Fudan University, PRC in July 1999 with a Master of Economics.

Each of the Chairman and the CEO will serve as Chairman and CEO respectively for an indefinite term. Under the existing service agreement of each of the Chairman and the CEO, each of the Chairman and the CEO receives an annual remuneration of HK$200,000. The total remuneration package of each of the Chairman and the CEO is determined by reference to their respective duties and responsibilities as Executive Director as well as Chairman and CEO, the Group's performance and overall remuneration policy. The said remuneration packages are subject to the review of the Remuneration Committee of the Company.

As at the date of this announcement, each of Mr. Zhang and Ms. Que is beneficially interested in 904,039 and 150,700 A Shares of China Vanke, representing approximately 0.009% and 0.002% of the issued A shares of China Vanke, an associated corporation of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**"). Save as aforesaid, each of Mr. Zhang and Ms. Que is not interested or deemed to be interested in any other shares, underlying shares or debentures of the Company or its associated corporations pursuant to Part XV of the SFO.

Save as disclosed above, there are no other matters with respect to Mr. Zhang or Ms. Que which are required to be brought to the attention of the Shareholders of the Company nor is there any information required to be disclosed under Rule 13.51(2) of the Listing Rules.

**BOARD OF DIRECTORS**

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

*Executive Directors:*
*Mr. Zhang Xu (Chairman)*
*Ms. Que Dong Wu (Chief Executive Officer)*

*Non-Executive Directors (in alphabetical order):*
*Mr. Chan Chi Yu*
*Mr. Lee Kai-Yan*
*Ms. Lily Lin*

*Independent Non-Executive Directors (in alphabetical order):*
*Mr. Chan Wai Hei, William*
*Ms. Law Chi Yin, Cynthia*
*Mr. Shium Soon Kong*

By order of the Board
**Vanke Property (Overseas) Limited**
**Que Dong Wu**
*Executive Director and*
*Chief Executive Officer*

Hong Kong, 13 February 2019