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vanke 万科

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)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017 as follows:

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2017

	Note	**2017** *HK$'000*	2016 *HK$'000*
Revenue	*3*	**96,460**	91,244
Cost of services		**(21,520)**	(21,168)
Gross profit		**74,940**	70,076
Other income	*4*	**1,057**	2,807
Administrative, leasing and marketing expenses		**(14,798)**	(13,528)
Increase in fair value of investment properties	*9*	**100,970**	80,910
Operating profit		**162,169**	140,265
Finance income	*5(a)*	**5,576**	1,657
Finance costs	*5(a)*	**–**	(21)
		167,745	141,901
Share of results of associates		**46**	(10)
Profit before taxation	*5*	**167,791**	141,891
Taxation charge	*6*	**(12,642)**	(10,571)
Profit and total comprehensive income for the year and attributable to shareholders of the Company		**155,149**	131,320
		HK$	*HK$*
Earnings per share — basic and diluted	*8*	**0.40**	0.34

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 2017

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Plant and equipment		**216**	312
Investment properties	*9*	**1,830,000**	1,700,810
Interests in associates	*10*	**223,772**	484,036
Prepayments for additions to investment properties		**–**	2,095
Deferred tax assets		**–**	186
		2,053,988	2,187,439
Current assets			
Trade and other receivables	*11*	**5,860**	5,951
Deposit for land tendering		**–**	25,000
Amounts due from associates	*10*	**148,884**	–
Tax recoverable		**2,759**	–
Bank balances and cash		**865,905**	703,922
		1,023,408	734,873
Current liabilities			
Other payables and accruals	*12*	**(34,667)**	(26,412)
Amount due to an intermediate holding company		**(2,277)**	(2,008)
Tax payable		**(662)**	(2,453)
		(37,606)	(30,873)
Net current assets		**985,802**	704,000
Total assets less current liabilities		**3,039,790**	2,891,439
Non-current liabilities			
Deferred tax liabilities		**(38,180)**	(33,292)
NET ASSETS		**3,001,610**	2,858,147
CAPITAL AND RESERVES			
Share capital		**3,895**	3,895
Reserves		**2,997,715**	2,854,252
TOTAL EQUITY		**3,001,610**	2,858,147

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. ("**China Vanke**"), 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 2017 comprise the Group and its interests 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 2017 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 2016.

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these amendments 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.

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

Revenue recognised during the year are as follows:

	2017 HK$'000	2016 HK$'000
Rental and property management	**96,460**	91,244

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

During the year ended 31 December 2017, the Group does not have any customers with revenue which exceeded 10% of the Group's revenue (2016: one customer in the rental and property management segment with revenue amounting to HK$9,193,000 which exceeded 10% of the Group's revenue).

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 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**

	Rental and property management *HK$'000*	Property development and financing *HK$'000*	Total *HK$'000*
For the year ended 31 December 2016			
Revenue	91,244	–	91,244
Segment results before changes in fair value of investment properties	70,403	(10)	70,393
Increase in fair value of investment properties	80,910	–	80,910
Segment results	151,313	(10)	151,303
Head office and corporate expenses (net of unallocated income)			(11,048)
Finance income — bank interest income			1,657
Finance costs			(21)
Profit before taxation			141,891
Taxation charge			(10,571)
Profit for the year			131,320

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

	2017 ***HK$'000***	2016 *HK$'000*
Handling fee income from an associate	**803**	–
Compensation received from tenants on early lease termination	**123**	2,723
Others	**131**	84
	1,057	2,807

5. PROFIT BEFORE TAXATION

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

	2017	2016
	HK$'000	*HK$'000*
(a) Finance income and costs		
Finance income		
— Interest income on bank deposits and bank balances	**(3,193)**	(1,657)
— Interest income on amount due from an associate	**(2,383)**	–
	(5,576)	(1,657)
Finance costs		
— Interest expenses on amount due to an intermediate holding company	**–**	21
(b) Staff costs (including directors' emoluments)		
Contributions to defined contribution plan	**107**	91
Salaries, wages and other benefits	**7,717**	6,665
	7,824	6,756
(c) Others		
Auditors' remuneration		
— Audit services	**700**	650
— Non-audit services	**220**	600
Depreciation	**96**	96
Rental receivables from investment properties less direct outgoings of HK$21,520,000 (2016: HK$21,168,000)	**(74,940)**	(70,076)

6. TAXATION CHARGE

	2017	2016
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**7,616**	7,836
Over provision in prior years	**(48)**	(102)
	7,568	7,734
Deferred tax		
Origination and reversal of temporary differences	**5,074**	2,837
	12,642	10,571

Provision for Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) on the estimated assessable profits for the year.

Share of an associate's taxation charge of HK$12,000 (2016: nil) is included in the share of results of associates for the year ended 31 December 2017.

7. DIVIDENDS

(a) Dividends attributable to the year

	2017	2016
	HK$'000	*HK$'000*
Final dividend proposed after the end of reporting period of HK$0.03 (2016: HK$0.03) per share	**11,686**	11,686

At a meeting held on 9 March 2018, the Directors recommended a final dividend of HK$0.03 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 2018.

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

	2017	2016
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.03 (2016: 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$155,149,000 (2016: HK$131,320,000) and 389,527,932 (2016: 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 (2016: nil).

9. INVESTMENT PROPERTIES

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**1,700,810**	1,619,900
Additions	**28,220**	–
Fair value gain	**100,970**	80,910
At 31 December	**1,830,000**	1,700,810

All of the Group's investment properties were revalued at 31 December 2017. The valuations were carried 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

	2017	2016
	HK$'000	*HK$'000*
Share of net assets	**3,348**	3,302
Amount due from an associate (non-current) *(note (a))*	**220,424**	480,734
	223,772	484,036
Amounts due from associates (current) *(note (a))*	**148,884**	–

Notes:

(a) Amounts due from associates comprise of:

(i) An amount of HK$142,683,000 (2016: HK$480,734,000) due from Ultimate Vantage Limited ("**UVL**") which is unsecured, interest-bearing at Hong Kong Interbank Offered Rate ("**HIBOR**") plus 2.2% (2016: HIBOR plus 2.2%) per annum and has no fixed terms of repayment. As at 31 December 2017, the amount is expected to be recovered within one year and is therefore classified as current asset. As at 31 December 2016, the amount was expected to be recovered more than one year and was classified as non-current asset.

(ii) An amount of HK$226,625,000 (2016: nil) due from Gold Value Limited ("**GVL**") which is unsecured, interest-bearing at Hong Kong Prime Rate minus 2.1% per annum and has no fixed terms of repayment. The amount of HK$6,201,000 (2016: nil) is expected to be recovered within one year, while the remaining amount of HK$220,424,000 (2016: nil) will be recovered after one year.

11. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**735**	1,009
Unamortised rent receivables	**1,913**	1,773
Other receivables	**409**	372
Other deposits	**2,529**	2,464
Prepayments	**274**	333
	5,860	5,951

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:

	2017	2016
	HK$'000	*HK$'000*
0 to 30 days	**717**	954
31 to 90 days	**18**	55
	735	1,009

At 31 December 2017, none of the Group's trade receivables were individually determined to be impaired (2016: nil).

12. OTHER PAYABLES AND ACCRUALS

	2017	2016
	HK$'000	*HK$'000*
Other payables	**1,502**	2,024
Rental and other deposits received	**23,934**	22,666
Accruals	**9,231**	1,722
	34,667	26,412

Except for the rental and other deposits received on properties and other payables of HK$9,441,000 (2016: HK$12,689,000) 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 are 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$96.5 million (2016: HK$91.2 million), representing an increase of approximately 6%. The increase was mainly due to improved occupancy for the units in Regent Centre and an increase in income from leasing of car parking spaces during the year.

The Group's investment in Regent Centre was fair valued at approximately HK$1,830.0 million as at 31 December 2017 (31 December 2016: HK$1,700.8 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$28.2 million, the fair value gain amounted to approximately HK$101.0 million for the year (2016: HK$80.9 million).

Excluding the change in fair value of Regent Centre, the Group's underlying profit for the year was approximately HK$54.2 million (2016: HK$50.4 million), representing an increase of approximately 8%. The increase was mainly due to increase in revenue and finance income.

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 97% as at 31 December 2017 (31 December 2016: 92%) against an increase in monthly passing rent to HK$9.5 per square foot as at 31 December 2017 (31 December 2016: HK$9.4 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 HK$96.5 million (2016: HK$91.2 million).

Gross profit from operation for the year increased to approximately HK$74.9 million (2016: HK$70.1 million), as a result of the increase in revenue and a slightly improved cost-to-revenue ratio to 22.3% (2016: 23.2%). 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 refrigerant, which are more energy efficient and deliver a better cooling performance. The replacement works was significantly completed for the year and are scheduled for completion in the first quarter of 2018 at a budgeted expenditure of approximately HK$35.0 million.

Segment profit after deducting property management fees, carpark management expenses, leasing commission and other operating expenses but before change in fair value of the Property amounted to approximately HK$72.6 million for the year (2016: HK$70.4 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**"). The TW6 Project, also known as The Pavilia Bay, has received overwhelming response since the date of its first launch on 20 January 2017. Up to 8 March 2018, approximately 99% of the units have been pre-sold at gross proceeds of approximately HK$9.9 billion. The project, at the stage of superstructure, is currently estimated to be completed in August 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 amount due from the Associates, amounted to approximately HK$372.7 million as at 31 December 2017 (31 December 2016: HK$484.0 million). The decrease in total investment of the Group during the year was mainly due to the partial repayment of amount due from Ultimate Vantage of approximately HK$382.0 million (out of the sales proceeds received by Ultimate Vantage on the TW6 Project), and the partial repayment of amount due from Gold Value of approximately HK$1.7 million (out of the repayment of mortgages by the buyers of the TW6 Project to Gold Value) (collectively, "**Associates' Payments**"). During the year, the Group has also granted additional advances to Ultimate Vantage of approximately HK$44.0 million for financing the sales and marketing and other expenditure in the TW6 Project and to Gold Value of approximately HK$228.4 million for the Provision of Mortgages.

Segment profit amounted to approximately HK$3.2 million for the year (2016: loss of HK$10,000), mainly due to handling fee for the provision of and interest on advances granted to Gold Value.

The Group's share of profit of associates amounted to HK$46,000 for the year (2016: share of loss of HK$10,000). The increase was mainly due to income earned by Gold Value on the Provision of Mortgages.

Head office and corporate expenses

Head office and corporate expenses, net of unallocated income, were approximately HK$12.2 million during the year (2016: HK$11.0 million). The increase was mainly due to an increase in staff costs and management fee payable to its intermediate holding company, Vanke Property (Hong Kong) Company Limited ("**Vanke HK**"), during the year.

Finance income and costs

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$5.6 million (2016: HK$1.7 million), comprising interest income on bank deposits and bank balances which increased from approximately HK$1.7 million in 2016 to approximately HK$3.2 million in 2017 primarily due to increase in bank interest rates, and interest income on shareholders' loans due from Gold Value amounted to approximately HK$2.4 million (2016: nil).

The Group applied part of the rights issue proceeds to fully repay the Group's bank borrowings on 28 December 2015. No new banking facilities have been arranged since then. As a result, the Group's finance cost was negligible in both years.

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**").

The net proceeds from the Rights Issue of HK$1,032.2 million was originally intended to be applied for acquiring a property under development located in the Wan Chai district of Hong Kong from China Vanke (the "**Potential Acquisition**"). Despite amicable negotiations, the Company and China Vanke failed to reach an agreement to the proposed terms and conditions of the Potential Acquisition. As a result, the Board has resolved not to proceed with the Potential Acquisition and to apply the remaining net proceeds of the Rights Issue, being HK$709.2 million after applying HK$323.0 million of the total net proceeds for repayment of the outstanding bank loan on 28 December 2015, for financing other property acquisition opportunities.

The Group subsequently identified various funding requirements. In view of the insufficient free cash on hand and the high cost or restricted use of other available sources of financing, the Group resolved to reallocate the use of the remaining net proceeds of the Rights Issue available for acquisition of land or property projects on 9 August 2016 and 5 June 2017 as follows:

(i) up to HK$65.0 million for funding sales and marketing expenses and other expenditure which are not covered by the permitted use of the banking facilities granted to Ultimate Vantage for financing the development of the TW6 Project (the "**TW6 Banking Facilities**");

(ii) up to HK$35.0 million for upgrading the air conditioning system in Regent Centre;

(iii) up to HK$350.0 million for the Provision of Mortgages through Gold Value; and

(iv) the remaining balance of HK$259.2 million for acquisition of land or property projects.

Purpose	**Before reallocation**	**After Reallocation as announced on 9 August 2016**	**After Reallocation as announced on 5 June 2017**	**Amount utilised as at 31 December 2017**	**Amount unutilised as at 31 December 2017**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Land or property acquisition	709.2	609.2	259.2	–	259.2
Provision of Mortgages through Gold Value	–	–	350.0	(228.3)	121.7
Sales and marketing expenses and other expenditure not covered by permitted use of the TW6 Banking Facilities	–	65.0	65.0	(46.1)	18.9
Upgrading the air conditioning system in Regent Centre	–	35.0	35.0	(21.4)	13.6
Total	709.2	709.2	709.2	(295.8)	413.4

On 26 February 2018, the Group further resolved to reallocate the use of the entire remaining net proceeds of the Rights Issue of HK$392.9 million (i.e. amount unutilised as at 26 February 2018) for acquisition of land or property projects in view of sufficient cash resources to finance future Provision of Mortgages. Adding this amount to the net sales proceeds from the TW6 Project received and to be received by the Group, the Group will have more financial resources on hand for acquisition of land or property projects.

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$3,001.6 million as at 31 December 2017 (31 December 2016: HK$2,858.1 million). The increase was due to the profit attributable to the shareholders of the Company for the year of approximately HK$155.2 million less payment of 2016 final dividend of approximately HK$11.7 million.

The Group had no interest-bearing debts and undrawn banking facilities as at 31 December 2017 (31 December 2016: nil). The Group's bank balances and cash amounted to approximately HK$865.9 million as at 31 December 2017 (31 December 2016: HK$703.9 million), of which approximately HK$413.4 million (31 December 2016: HK$676.4 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 Associates' Payments of approximately HK$383.7 million. The Group has reallocated part of the remaining proceeds from the Rights Issue for funding its foreseeable business needs. 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 a commitment of approximately HK$6.8 million as at 31 December 2017 (31 December 2016: 32.9 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 (31 December 2016: HK$27.1 million) has been contracted for and approximately HK$4.0 million (31 December 2016: HK$5.8 million) has been authorised but not contracted for.

Contingent liabilities and financial guarantees

The Group had no outstanding contingent liabilities as at 31 December 2017.

A corporate guarantee of HK$960.0 million to secure the TW6 Banking Facilities was classified as the Group's contingent liability as at 31 December 2016. The corporate guarantee was given on a several basis and in proportion to the Group's shareholding interest of 20% in Ultimate Vantage. The TW6 Banking Facilities were repaid in full during the year (31 December 2016: out of the total TW6 Banking Facilities of HK$4,800.0 million, HK$2,388.3 million was utilised by Ultimate Vantage). As a result, the Company ceased to be liable under this corporate guarantee, and the corporate guarantee no longer remains the Group's contingent liability as at 31 December 2017. The provision of such guarantee constituted a major transaction to the Company under the Listing Rules and was approved by the controlling shareholder of the Company. For details, please refer to the Company's announcement dated 30 June 2014 and the Company's circular dated 22 July 2014.

Corporate guarantees in the aggregate amount of HK$568.0 million to secure banking facilities granted to Ultimate Vantage for issuing letters of undertakings in favor of the Hong Kong Government in connection with the pre-sale application for the TW6 Project (the "**Finance Undertaking Facilities**") were classified as the Group's contingent liability as at 31 December 2016. The guarantees were given on a several basis and in proportion to the Group's shareholding interest of 20% in Ultimate Vantage. During the year, the Finance Undertaking Facilities were cancelled as Ultimate Vantage has set aside sufficient fund from the pre-sale proceed of TW6 Project for the purpose of paying remaining construction cost. As a result, the Company ceased to be liable under the corporate guarantees, and the corporate guarantees no longer remain the Group's contingent liability as at 31 December 2017. The provision of such guarantees constituted a major transaction to the Company under the Listing Rules and was approved by the controlling shareholder of the Company. For details, please refer to the Company's announcement dated 11 August 2016 and the Company's circular dated 12 September 2016.

Pledge of assets

There was no pledge on the Group's assets as at 31 December 2017 (31 December 2016: 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 six employees as at 31 December 2017 (31 December 2016: six). As a result of the increase in wages and the number of employees in May 2016 which are entitled to wages for the whole year in 2017, there was an increase in staff costs (including Directors' emoluments) to approximately HK$7.8 million (2016: HK$6.8 million) during the year.

Vanke HK provides administrative and management support to the Group on a cost basis. Total fee payable to Vanke HK amounted to approximately HK$2.6 million during the year (2016: HK$1.6 million), with the increase mainly attributable to the increase in office overhead expenses.

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

Although the government has imposed various cooling measures on Hong Kong property market to prevent it from overheating, transacted prices remained at the top end of, if not beating, market expectations in recent government land tenders. Together with prevailing low interest rates, the market was optimistic on the Hong Kong property prices and transacted prices for both residential and office properties continued hitting new record highs in 2017. In 2018, it is expected that the market sentiment may become more conservative due to the rising interest rates and increased housing supply in Hong Kong. Despite the above, the Group is positive on the long-term prospect of the Hong Kong property market, which is supported by continuous growth in domestic economy and external demand. The Group will continue to seek opportunities in the market for business diversification and expansion.

The Group's rental income from Regent Centre is expected to show steady growth, driven by the high occupancies and positive rental reversions. Moreover, the development of the TW6 Project has been progressing as scheduled and completed flats are expected to be handed over to the buyers in 2018. The Group expects that considerable profits shall be contributed to the Group as a result.

FINAL DIVIDEND

The Directors recommend the payment of a final dividend of HK$0.03 per share (2016: HK$0.03 per share). Subject to the passing of the relevant resolution at the annual general meeting of the Company to be held on 18 May 2018 (the "**2018 AGM**"), the final dividend will be payable to the shareholders on or about 6 June 2018.

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 2018 AGM

The Register of Members and the Transfer Books of the Company will be closed from Tuesday, 15 May 2018 to Friday, 18 May 2018, both days inclusive, for the purpose of ascertaining the shareholders' entitlement to attend and vote at the 2018 AGM. In order to be eligible to attend and vote at the 2018 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 Monday, 14 May 2018.

(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, 28 May 2018 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, 25 May 2018.

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 2017, 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 are shared between Mr. Zhang Xu and Ms. Que Dong Wu, the Executive Directors.

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

Code provision A.2.7

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

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

Code provision F.1.3

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

During the year, the Company Secretary 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 2017. 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 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 2017, including the accounting policies and practices adopted by the Group, and also discussed with management internal control and financial reporting matters applicable to the Group.

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 2017.

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 2017 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.

BOARD OF DIRECTORS

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

Executive Directors:
Mr. Zhang Xu, Ms. Que Dong Wu

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. Shium Soon Kong

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

Hong Kong, 9 March 2018