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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)

CHANGE IN USE OF NET PROCEEDS FROM RIGHTS ISSUE

Reference is made to the prospectus (the “**Prospectus**”) issued by the Company on 14 July 2015 in relation to, amongst others, a rights issue of the Company 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 announcements of the Company dated 24 December 2015, 13 January 2016 and 9 August 2016 in relation to, amongst others, the use of the net proceeds from the Rights Issue. Unless otherwise defined, all capitalized terms used in this announcement shall have the same meaning ascribed to them in the Prospectus.

USE OF NET PROCEEDS FROM THE RIGHT ISSUE PREVIOUSLY ANNOUNCED

As disclosed in the announcement dated 9 August 2016, the use of the remaining net proceeds of the Rights Issue of HK\$709.2 million was reallocated as follows:

- (i) approximately HK\$65.0 million for funding sales and marketing expenses and other expenditure for the TW6 Project, which are not covered by the permitted use of the banking facilities currently granted for the TW6 Project;
- (ii) approximately HK\$35.0 million for upgrading the air conditioning system of the Group’s investment properties; and
- (iii) the remaining balance of approximately HK\$609.2 million for acquisition of land or property projects.

As at the date hereof, the remaining net proceeds of the Rights Issue had been utilized to the extent of HK\$21.9 million and, as a result, the remaining net proceeds of the Rights Issue was reduced to HK\$687.3 million (the “**Remaining Net Proceeds**”), of which

- (i) approximately HK\$50.0 million was reserved for funding sales and marketing expenses and other expenditure for the TW6 project, which are not covered by the permitted use of the banking facilities currently granted for the TW6 Project;

- (ii) approximately HK\$28.1 million was reserved for upgrading the air conditioning system of the Group's investment properties; and
- (iii) the remaining balance of approximately HK\$609.2 million was reserved for acquisition of land or property projects.

As at 31 May 2017, the Group's available cash on hand, excluding the Remaining Net Proceeds, amounted to HK\$33.7 million.

CHANGE IN USE OF PART OF THE REMAINING NET PROCEEDS

Ultimate Vantage Limited ("**Ultimate Vantage**") is a special purpose vehicle established for the development of the West Rail Tsuen Wan West Station TW6 Property Development Project ("**TW6 Project**") in January 2013. Ultimate Vantage is legally and beneficially owned as to 20% by an indirect wholly-owned subsidiary of the Company and 80% by a wholly-owned subsidiary of New World Development Company Limited ("**JV Partner**"). The TW6 Project involves, among other things, construction of two high-rise residential buildings ("**Residential Properties**") offering a total of 983 units with a maximum developable gross floor area of approximately 675,000 square feet.

In order for Ultimate Vantage to maintain the competitiveness of the sales of the Residential Properties on par with projects launched by other developers and in line with market practice, Ultimate Vantage has offered first and second developer mortgage financing to the buyers of the Residential Properties on market terms (the "**Provision of Mortgages**") since the date of launch of the TW6 Project in January 2017. It is expected that, save for early completion at the election of the buyers of the Residential Properties, the Provision of Mortgages will be required to be made available to those qualified buyers from July 2017 onwards.

Pursuant to the terms of the agreement with the JV Partner, Gold Value Limited ("**Gold Value**"), a joint venture company beneficially owned 20% by the Company and 80% by the JV Partner, was formed for the purpose of the Provision of Mortgages. Financial assistance is/will be provided by the Company and the JV Partner to Gold Value for its onward lending to the buyers of the Residential Properties on a several basis and in proportion to their respective shareholding interest in Gold Value ("**Shareholders' Contributions**"). While the pre-sale of the Residential Properties is ongoing and the buyers of Residential Properties may continue to apply for first and second developer mortgages, it is currently estimated that the Shareholders' Contributions required from the Company prior to distribution of sales proceeds from Ultimate Vantage would not exceed HK\$350 million.

In view of the insufficient free cash on hand and the high costs or restricted use of other available sources of financing, the Board resolved to temporarily reallocate the use of the Remaining Net Proceeds available for acquisition of land or property projects of HK\$609.2 million in the following manner:

- (i) up to approximately HK\$350 million for the Provision of Mortgages through Gold Value; and
- (ii) the remaining balance for acquisition of land or property projects.

The Board considered that the provision of the Shareholders' Contributions to Gold Value in proportion to the Company's beneficial interest in Gold Value for an amount up to HK\$350 million by way of the Remaining Net Proceeds is in the interest of the Company and Shareholders as a whole.

It is currently expected that in or around October 2017, sale proceeds of the TW6 Project, after repayment of bank loans and setting aside the estimated future development costs and other requisite payments, will be distributed to the shareholders of Ultimate Vantage in proportion to their respective shareholding interest. The Company intends to first apply the distributions received from Ultimate Vantage, net of estimated amount for future Provision of Mortgages, to replenish the amount of the Remaining Net Proceeds available for acquisition of land or property projects to HK\$609.2 million.

The Board (including the independent non-executive Directors) considers that the change in use of part of the Remaining Net Proceeds as aforesaid will facilitate a more efficient allocation of the financial resources of the Group and is therefore fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

5 June 2017, Hong Kong

As 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