THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Vanke Property (Overseas) Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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)

(1) MAJOR AND CONNECTED TRANSACTION; (2) AMENDMENT OF ANNUAL CAPS & TERMS OF EXISTING CONTINUING CONNECTED TRANSACTIONS; (3) PROPOSED CHANGE OF COMPANY NAME; AND (4) NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

SUCCESS

SUCCESS NEW SPRING CAPITAL LIMITED
實德新源資本有限公司

A letter from the Board is set out on pages 8 to 31 of this circular. A letter from the Independent Board Committee is set out on pages 32 to 33 of this circular. A letter from Success New Spring Capital Limited, the independent financial adviser, containing its advice to Independent Board Committee and the Independent Shareholders is set out on pages 34 to 68 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at 1804A, 18/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong on Thursday, 31 October 2019 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 to this circular. Whether or not you are able to attend and/or vote at the extraordinary general meeting in person, you are requested to complete the enclosed proxy form and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from subsequently attending and voting at the extraordinary general meeting or any adjournment thereof in person should you so wish.

30 September 2019

CONTENTS

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

"Acquisition"	the acquisition of the Sale Shares and the Sale Loan pursuant to the terms and conditions of the Sale and Purchase Agreement
"Announcement"	the announcement of the Company dated 29 August 2019 in relation to (i) the Acquisition contemplated under the Sale and Purchase Agreement; and (ii) the Supplemental Management Services Framework Agreement and the transactions contemplated thereunder and the Revised Annual Caps
"associates"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	means a day (excluding a Saturday or Sunday and any day on which a tropical cyclone warning signal no. 8 or above or a "black" rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. to 5:00 p.m.) on which licensed banks in Hong Kong are open for general banking business
"Change of Company Name"	the proposed change of the English name of the Company from "Vanke Property (Overseas) Limited" to "Vanke Overseas Investment Holding Company Limited" and its dual foreign name in Chinese from "萬科置業(海外)有限公司" to "萬科海外投資控股有限公司"
"China Vanke"	China Vanke Co., Ltd.* (萬科企業股份有限公司), a joint stock company established in the PRC with limited liability, the issued H Shares of which are listed on the Stock Exchange (stock code: 2202) and the issued A Shares of which are listed on the Shenzhen Stock Exchange (stock code: 000002)
"China Vanke Group"	China Vanke and its subsidiaries from time to time, excluding the Enlarged Group
"Company"	Vanke Property (Overseas) Limited (萬科置業(海外)有限公司), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange (stock code: 01036)
"Completion"	completion of the Acquisition in accordance with the Sale and Purchase Agreement

"Completion Date"	the business day to perform Completion which shall be within 30 Business Days immediately following the satisfaction (or waiver) of all the conditions precedent pursuant to the Sale and Purchase Agreement (or any other date as agreed between the parties in writing)
"connected person"	has the meaning ascribed to it under the Listing Rules
"Consideration"	HK$594.8 million (subject to adjustment), being the consideration payable by the Purchaser to the Vendor for the Sale Shares and the Sale Loan pursuant to the terms and conditions of the Sale and Purchase Agreement
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company proposed to be convened and held for the Shareholders to consider and, if thought fit, approve, among others, (i) the Acquisition contemplated under the Sale and Purchase Agreement; (ii) the Supplemental Management Services Framework Agreement and the transactions contemplated thereunder and the Revised Annual Caps; and (iii) the Change of Company Name
"Enlarged Group"	the Group as enlarged by the Target Group upon Completion
"GBP" or "£"	British pound sterling, the lawful currency of the United Kingdom
"Group"	the Company and its subsidiaries
"HK Management Services"	the services to be provided by VPO HK to VPHK (including other subsidiaries of China Vanke which may become interested in any property development and/or investment projects in Hong Kong) pursuant to the Supplemental Management Services Framework Agreement
"HK Management Team"	the current employees of VPHK who are responsible for overseeing and managing the business of property development, investment and management in Hong Kong, and whom will be employed by VPO HK by the time of Completion for provision of the HK Management Services to VPHK pursuant to the Supplemental Management Services Framework Agreement
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Board, comprising Mr. Chan Wai Hei, William, Ms. Law Chi Yin, Cynthia, Mr. Zhang Anzhi, being all the independent non-executive Directors of the Company, established for the purpose of, among other things, advising the Independent Shareholders in respect of the Acquisition contemplated under the Sale and Purchase Agreement and the Supplemental Management Services Framework Agreement and the transactions contemplated thereunder and the Revised Annual Caps
"Independent Financial Adviser" or "Success New Spring Capital"	Success New Spring Capital Limited (實德新源資本有限公司), a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the appointed independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to (i) the Acquisition contemplated under the Sale and Purchase Agreement; and (ii) the Supplemental Management Services Framework Agreement and the transactions contemplated thereunder and the Revised Annual Caps
"Independent Shareholders"	the shareholders of the Company other than China Vanke and its associates
"Independent Third Party(ies)"	a party who is not a connected person of the Company and is independent of the Company and its connected persons
"Knight Frank"	Knight Frank Petty Limited, a firm of qualified valuers engaged by the Company, and an Independent Third Party
"Latest Practicable Date"	26 September 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
"Listing Rules"	The Rules Governing the Listing of Securities on The Hong Kong Stock Exchange of Hong Kong Limited
"Long Stop Date"	31 December 2019 or such other date as the parties may agree in writing
"Management Services"	the Overseas Management Services and the HK Management Services

"Management Services Framework Agreement"	the agreement dated 7 March 2019 entered into between the VPO Parties and the VPHK Parties in relation to the provision of Overseas Management Services from the VPO Parties to the VPHK Parties (including other subsidiaries of China Vanke which may become interested in any real estate development and/or investment projects (other than investments in the funds managed by an Independent Third Party and its subsidiaries)) in the United Kingdom and the United States of America
"Overseas Management Services"	the services to be provided by the VPO Parties to the VPHK Parties (including other subsidiaries of China Vanke which may become interested in any real estate development and/or investment projects (other than investments in the funds managed by an Independent Third Party and its subsidiaries)) in the United Kingdom and the United States of America pursuant to the Management Services Framework Agreement
"Overseas Management Team"	the employees of the VPO Parties or the Group who are responsible for overseeing and managing the business of property development and investment in the United Kingdom and the United States of America which are employed by the relevant VPO Party(ies) or the Group following the completion of the very substantial acquisition of the Company on 30 June 2019
"PRC"	the People's Republic of China and for the purposes of the matters referred to in this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
"Property"	pieces or parcels of ground located in North Point, Hong Kong and registered in the Land Registry as Inland Lot Nos. 6748, 6747, 6746 and 6745 together with the messuages erections and buildings thereon known as No. 62, 64, 66 and 68 Chun Yeung Street, Hong Kong
"Purchaser"	Vanke Hong Kong Investment Company Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company
"Realty Asset"	Realty Asset Limited (顯澤有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target

"Revised Annual Caps"	the proposed new annual caps of HK$105 million, HK$215 million and HK$215 million in relation to the transactions contemplated under the Supplemental Management Services Framework Agreement for each of the three years ending 31 December 2021 respectively
"Sale and Purchase Agreement"	the agreement dated 29 August 2019 entered into between the Purchaser and the Vendor in respect of the Acquisition
"Sale Loan"	such amount of the principal, interest (if any) and other sums and indebtedness due, owing or payable to VPHK Group by the Target Group as at Completion, which shall be equal to the product of (i) the entire amount of loan due to the VPHK Group and (ii) the Sale Shares Percentage
"Sale Shares"	such number of shares in the share capital of the Target representing the number of shares in the entire issued share capital of the Target less the number of shares in the issued share capital of the Target which are beneficially or effectively owned by the employees through any co-investment vehicle as at Completion. As at the Latest Practicable Date, it has been determined that the number of Sale Shares shall represent approximately 99.89% of the entire issue share capital of the Company
"Sale Shares Percentage"	the number of Sale Shares as a percentage of the total number of shares in the issued share capital of the Target at the time of Completion, which shall be approximately 99.89% as determined subsequent to the signing of the Sale and Purchase Agreement
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholders"	holder(s) of the Share(s)
"sq. m."	square metre(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiaries"	has the meaning ascribed to it under the Listing Rules
"Supplemental Management Services Framework Agreement"	the agreement dated 29 August 2019 entered into between the VPO Parties, the VPHK Parties and VPO HK to amend and restate the Management Services Framework Agreement to extend the scope of services and revise the annual caps for the Management Services

"Target"	V-Win Achieve Limited, a company incorporated in the British Virgin Islands with limited liability and an approximately 99.89%-owned subsidiary of the Vendor immediately before the Completion
"Target Former Group"	the Target and its former subsidiary, Astaria Garden Limited, which ceased to be a subsidiary of the Target on 15 August 2019
"Target Group"	the Target and its subsidiary, Realty Asset
"US$"	United States Dollars, the lawful currency of the United States of America
"Vendor"	Wkinv HK Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of VPHK
"VPHK"	Vanke Property (Hong Kong) Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of China Vanke which indirectly holds 75% of the issued share capital of the Company and is a controlling Shareholder
"VPHK Group"	VPHK and its subsidiaries, excluding the Enlarged Group
"VPHK Party(ies)"	(a) Vanke Holdings USA LLC, a limited liability company incorporated in the State of Delaware and a wholly-owned subsidiary of China Vanke, which is principally engaged in investment holding; (b) VPHK; and/or (c) Chogori Investment (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of China Vanke, which is principally engaged in investment holding
"VPO HK"	Vanke Holdings (Hong Kong) Company Limited (萬科控股(香港)有限公司), a company incorporated in Hong Kong with limited liability and is a 80%-owned subsidiary of the Company, with the remaining 20% equity interest to be held by key employees of the HK Management Team, which is principally engaged in provision of asset management services

"VPO Party(ies)"	(a) Vanke Overseas Management Holding Company Limited, a company incorporated in British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company, which is principally engaged in provision of asset management services; (b) Vanke Overseas UK Management Limited, a company incorporated in England and Wales with limited liability and a 80%-owned subsidiary of the Company with the remaining 20% beneficially owned by key members of the Overseas Management Team, which is principally engaged in provision of asset management services; and/or (c) Vanke US Management LLC, a limited liability company incorporated in the State of Delaware and a 80%-owned subsidiary of the Company with the remaining 20% beneficially owned by key members of the Overseas Management Team, which is principally engaged in provision of asset management services
"Wkland Investments"	Wkland Investments Company Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of China Vanke
"%"	per cent

* *For identification purpose only*

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)

Executive Directors:
Mr. ZHANG Xu *(Chairman)*
Ms. QUE Dongwu *(Chief Executive Director)*
Mr. LEE Kai-Yan
Ms. LIN Lily

Non-executive Director:
Mr. CHAN Chi Yu

Independent Non-executive Directors:
Mr. CHAN Wai Hei, William
Ms. LAW Chi Yin, Cynthia
Mr. ZHANG Anzhi

Registered office:
P.O. Box 309,
Ugland House,
Grand Cayman, KY1-1104,
Cayman Islands

Principal place of business in Hong Kong:
55/F, Bank of China Tower,
1 Garden Road,
Central,
Hong Kong

30 September 2019

To: The Shareholders

Dear Sir or Madam,

**(1) MAJOR AND CONNECTED TRANSACTION;
(2) AMENDMENT OF ANNUAL CAPS & TERMS OF EXISTING CONTINUING CONNECTED TRANSACTIONS;
AND
(3) PROPOSED CHANGE OF COMPANY NAME**

INTRODUCTION

Reference is made to the announcement of the Company dated 29 August 2019 in relation to the Sale and Purchase Agreement and the Supplemental Management Services Framework Agreement. Reference is also made to the announcement of the Company dated 15 August 2019 in relation to, among other things, the Change of Company Name.

The purpose of this circular is to provide you with, among other things, (i) details of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) details of the Supplemental Management Services Framework Agreement and the transactions contemplated thereunder and the Revised Annual Caps; (iii) details of the proposed Change of Company Name; (iv) a letter from the Independent Board Committee to the Independent Shareholders regarding the Sale and Purchase Agreement, the Supplemental Management Services Framework Agreement and the transactions contemplated thereunder and the Revised Annual

Caps; (v) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Sale and Purchase Agreement, the Supplemental Management Services Framework Agreement and the transactions contemplated thereunder and the Revised Annual Caps; (vi) financial information of the Group; (vii) financial information of the Target Former Group and financial information of Realty Asset; (viii) unaudited pro forma financial information of the Enlarged Group; and (ix) valuation report of the Property.

I. THE ACQUISITION

On 29 August 2019 (after trading hours), the Purchaser entered into the Sale and Purchase Agreement pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares and the Sale Loan, representing approximately 99.80% (subject to final determination at Completion and in no event being less than 99%)*(Note 1)* of the issued share capital of the Target and the entire shareholder's loan (which is in the principal amount of approximately HK$325.8 million) due to VPHK Group by the Target Group, for a consideration of HK$594.8 million (subject to adjustment)*(Note 2)* by way of cash. The Target indirectly owns the entire interest in the Property (which is valued at HK$596.0 million).

The Sale and Purchase Agreement

The principal terms of the Sale and Purchase Agreement are set out below:

Date

29 August 2019 (after trading hours)

Parties

(1) Vanke Hong Kong Investment Company Limited, as the purchaser; and

(2) Wkinv HK Holdings Limited, as the vendor.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares and the Sale Loan, representing approximately 99.80% (subject to final determination at Completion and in no event being less than 99%)*(Note 1)* of the issued share capital of the Target and the entire shareholder's loan (which is in the principal amount of approximately HK$325.8 million) due to VPHK Group by the Target Group, upon Completion.

Notes:

1. The Sale Shares Percentage was not determined at the time of signing of the Sale and Purchase Agreement as it was subject to the investment to be committed or made by the employees of the Group and the China Vanke Group through the co-investment scheme before the Completion. As at the Latest Practicable Date, it has been determined that the Sale Shares Percentage will be approximately 99.89% and the remaining approximately 0.11% of the issued share capital of the Target will be beneficially or effectively owned by certain employees of the Group and China Vanke Group.

2. As the Sale Shares Percentage has been fixed at approximately 99.89%, the Consideration shall be about HK$595.3 million (subject to adjustment on a cash-free debt-free basis).

Pursuant to the Sale and Purchase Agreement, the remaining approximately 0.2% (subject to final determination at Completion and shall be no more than 1%)*(Note 3)* of the Target will be beneficially or effectively owned by certain employees of the Group and China Vanke Group (including certain key employees of HK Management Team who will become directors of VPO HK) who are responsible for developing and managing the Property as an employee co-investment arrangement as at Completion, and such employees will remain to be beneficially interested in the Target after Completion. As the investment of the directors of VPO HK and other connected persons of the Company (if any) in the Target through such employee co-investment mechanism is less than HK$3 million, such employee co-investment arrangement will be regarded as a fully exempt connected transaction on the part of the Company.

Consideration

The Consideration payable for the sale and purchase of the Sale Shares and the Sale Loan shall be HK$594.8 million*(Note 2)*, subject to adjustment, of which:

(i) 5% of the Consideration being approximately HK$29.8 million was paid by the Purchaser to the Vendor in cash within 5 Business Days of the date of signing of the Sale and Purchase Agreement as refundable deposit;

(ii) 90% of the Consideration being approximately HK$535.2 million will be payable by the Purchaser to the Vendor in cash on the Completion Date; and

(iii) 5% of the Consideration being the remaining approximately HK$29.8 million (the "**Retention Amount**") will be payable within 5 Business Days after the date of determination of the consolidated net asset value of the Target as at the Completion Date (the "**Completion NAV**") on the basis of the value of the Property being fixed at HK$596.0 million (on a 100%-basis) and a cash-free and debt-free position of the Target Group. The Completion NAV will be determined based on adding all the assets held by the Target Group, and subtracting all the account payables and accrued liabilities (other than the Sale Loan), as at the Completion Date.

If the Completion NAV is higher or lower than HK$596.0 million, the Consideration (and the Retention Amount) shall be adjusted upward or downward (subject to the maximum of the Retention Amount) accordingly based on the product of (i) the Sale Shares Percentage times (ii) the difference between the Completion NAV and the value of the Property being fixed at HK$596.0 million, in each case, on a dollar for dollar basis. The Retention Amount (or part thereof) shall then be released to the Vendor or kept by the Purchaser (as the case may be).

Notes:

2. As the Sale Shares Percentage has been fixed at approximately 99.89%, the Consideration shall be about HK$595.3 million (subject to adjustment on a cash-free debt-free basis).

3. As the Sale Shares Percentage has been fixed at approximately 99.89% as at the Latest Practicable Date, the remaining 0.11% of the shareholding in the Target will be owned by employees of the Group and China Vanke Group.

The cash Consideration will be satisfied by borrowings and internal resources of the Company.

Basis of determination of the Consideration

The Consideration is determined after arm's length negotiations between the Purchaser and the Vendor with reference to:

(1) the preliminary market value of the Property of being no less than HK$596.0 million as at 31 July 2019;

(2) the consolidated current net asset value of the Target Group of approximately HK$270.2 million as at 31 July 2019; and

(3) the principal amount of the shareholder's loan of the Target Group in the principal amount of approximately HK$325.8 million.

The preliminary valuation of the Property is carried out by Knight Frank, an independent surveyor to the Company. The appraised value of the Property by the market comparable method was HK$596.0 million as at 31 July 2019. Please refer to Appendix VI to this circular for the valuation report of the Property.

Conditions precedent

Completion is subject to the satisfaction or waiver by the Purchaser and the Vendor (as the case may be) of certain conditions precedent, including:

(a) all necessary corporate authorisations or shareholders' approvals being obtained, including approvals from the Independent Shareholders at the EGM for, among others, (i) the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the Supplemental Management Services Framework Agreement and the transactions contemplated thereunder and the Revised Annual Caps;

(b) all necessary approvals, licenses, authorisations, consents, waivers or notifications necessary from third parties (including the financing banks), governmental or regulatory authorities including the Stock Exchange in connection with the transactions contemplated under the Sale and Purchase Agreement required to be obtained having been granted and in effect;

(c) each of the representations and warranties in the Sale and Purchase Agreement made by the Vendor remaining true and accurate in all material respects as of the date of the Completion Date; and

(d) the legal and financial due diligence on the Target Group's business, operations and the Property by or on behalf of the Purchaser having been completed to the satisfaction of the Purchaser.

The parties may waive the conditions precedent above in writing at any time on or before the Long Stop Date, except for conditions precedent (a) and (b) above which are not capable of being waived in any event.

If any condition precedent has not been satisfied or waived (as the case may be) by the Long Stop Date, either the Purchaser or the Vendor may terminate the Sale and Purchase Agreement by serving written notice to the other party, and the 5% refundable deposit paid to Vendor shall be refunded to the Purchaser within 5 Business Days thereof.

As at the Latest Practicable Date, none of the conditions had been fulfilled or waived by the parties and they had no intention to waive any of the conditions.

Completion

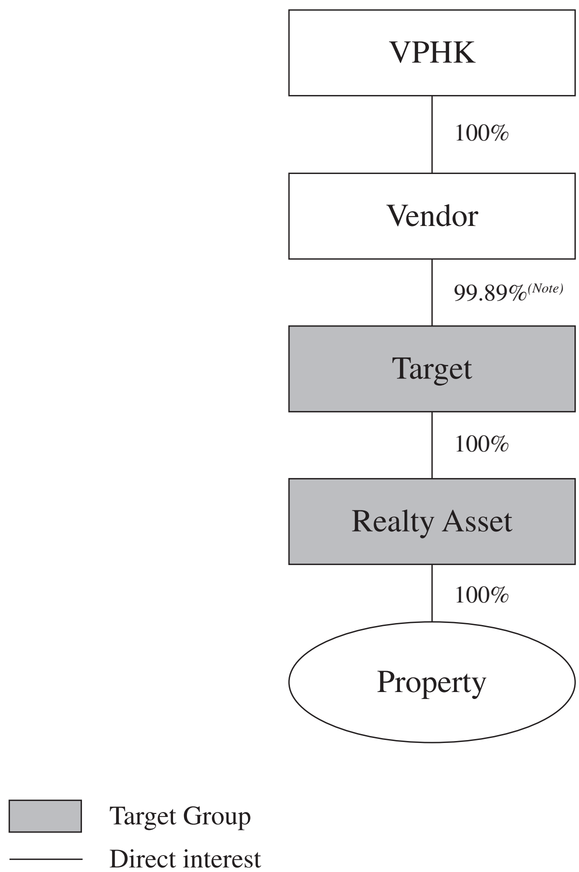
Pursuant to the Sale and Purchase Agreement, Completion shall take place on the date agreed by the parties which shall be within 30 Business Days of the fulfillment (or waiver, as the case may be) of all the conditions precedent (or any other dates as agreed between the parties in writing).

Upon Completion, the Target will become an approximately 99.89%-owned subsidiary of the Company and the assets, liabilities and the financial results of the Target Group will be consolidated into the consolidated financial statements of the Company.

SHAREHOLDING STRUCTURE

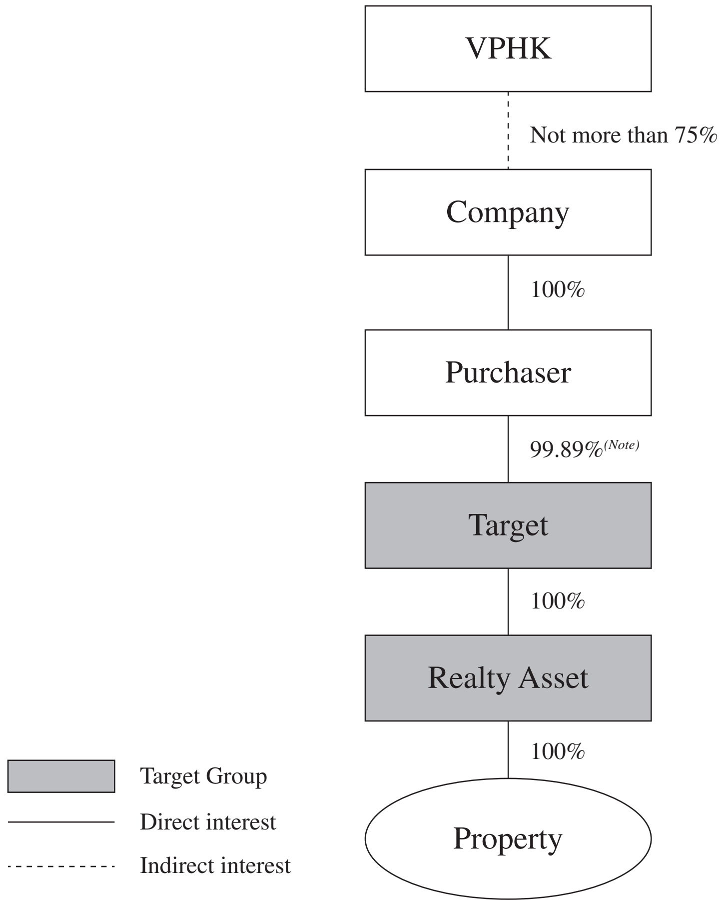
The following diagrams illustrate a simplified corporate and shareholding structure of the Target Group (i) immediately before the Completion; and (ii) immediately after the Completion:

Immediately before the Completion



Note: This is the Sale Shares Percentage determined between the Purchaser and the Vendor subsequent to the signing of the Sale and Purchase Agreement. The remaining approximately 0.11% interest of the Target is beneficially owned by certain employees of the Group and China Vanke Group (including certain key employees of HK Management Team who will become directors of VPO HK) who are responsible for developing and managing the Property and/or their co-investment vehicle as an employee co-investment arrangement.

Immediately after the Completion



Note: This is the Sale Shares Percentage determined between the Purchaser and the Vendor subsequent to the signing of the Sale and Purchase Agreement. The remaining approximately 0.11% interest of the Target will be beneficially or effectively owned by certain employees of the Group and China Vanke Group (including certain key employees of HK Management Team who will become directors of VPO HK) who are responsible for managing or investing the Property and/or their co-investment vehicle as an employee co-investment arrangement.

INFORMATION ON THE PARTIES

Information on the Group

The Company and its subsidiaries are principally engaged in asset management, as well as property development and investment. The Purchaser is a wholly-owned subsidiary of the Company and is an investment holding company.

Information on the Vendor

VPHK is principally engaged in property development and investment.

The Vendor is a wholly-owned subsidiary of VPHK and is an investment holding company.

Information on the Target Group and the Property

The Target is a subsidiary of the Vendor and is an investment holding company which indirectly holds the entire interest in the Property.

As at the Latest Practicable Date, Realty Asset is a wholly-owned subsidiary of the Target principally engaged in the business of redevelopment and holding of the Property as investment property. Realty Asset directly holds the entire interest in the Property and the Target Group currently intends to re-develop the Property into a hotel. The original acquisition cost incurred by the VPHK Group for acquiring the entire equity interest in, and the entire shareholder's loan due from, Realty Asset (including transaction fees and stamp duty paid)) was approximately HK$588 million.

Set out below are the summary of the unaudited accounts of the Target for the two years ended 31 December 2017 and 2018:

	For the financial year ended	
	31 December 2017	**31 December 2018**
	HK$	*HK$*
	(unaudited)	(unaudited)
Revenue	—	—
Loss before taxation	2,865	—
Loss after taxation	2,865	—
Net liabilities	20,434	20,434

Set out below are the summary of the Accountants' Report of Realty Asset for the two years ended 31 March 2018 and 2019 (being the financial year end date of Realty Asset):

	For the financial year ended	
	31 March 2018	**31 March 2019**
	HK$'000	*HK$'000*
	(audited)	(audited)
Revenue	—	—
Profit before taxation	58,704	2,242
Profit after taxation	58,704	2,242
Net asset value	208,014	210,256

The Property consists of the pieces or parcels of ground located in North Point, Hong Kong and registered in the Land Registry as Inland Lot Nos. 6748, 6747, 6746 and 6745 together with the messuages erections and buildings thereon knows as No. 62, 64, 66 and 68 Chun Yeung Street, Hong Kong. The pieces of land are subject to government leases which were deemed to have been granted under the provisions of the Government Leases Ordinance

(Chapter 40 of the Laws of the Hong Kong) for the renewed term of 75 years from 5 September 1996 upon expiration of the original government lease and collectively have a site area of approximately 403.2 square metres for residential and/or commercial uses.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Target will become an approximately 99.89%-owned indirect subsidiary of the Company and the financial results, assets and liabilities of the Target Group will be consolidated into the consolidated financial statements of the Company.

Assets and liabilities

As at 30 June 2019, the unaudited consolidated total assets and liabilities of the Group amounted to approximately HK$5,160.7 million and HK$1,451.1 million, respectively. Assuming Completion took place on 31 December 2018, the unaudited pro forma consolidated total assets and liabilities of the Enlarged Group would have decreased to approximately HK$5,152.0 million and HK$1,444.5 million, respectively, as a result of the Acquisition.

Earnings

As set out in Appendices II and III to this circular, the loss after tax of the Target Former Group for the six months ended 30 June 2019 was HK$38,000 and the profit after tax of Realty Asset for the year ended 31 March 2019 was approximately HK$2.2 million.

As the financial results of the Target Group will be consolidated with those of the Group after Completion, the earnings of the Group will be affected by the performance of the Target Group as from Completion. Since the Target Group is principally engaged in holding the Property which is yet to be developed, the Acquisition will not have any immediate material impact on the earnings of the Group. However, it is expected that the Acquisition will have a positive impact on the overall earnings of the Group and broaden the Group's earnings base in the medium to long run upon completion of development of the Property.

Further details of the financial effect of the Acquisition together with the bases in preparing the unaudited pro forma financial information are set out in Appendix V to this circular.

II. AMENDMENT OF ANNUAL CAPS & TERMS OF EXISTING CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 8 March 2019 and the circular of the Company dated 21 May 2019 in relation to, among others, the Management Services Framework Agreement.

In anticipation of (i) the Company's intention to develop its asset management business and strengthen its property development and investment business in Hong Kong through tapping into the expertise and experience of the HK Management Team; and (ii) the need of management of existing property interests for China Vanke Group in Hong Kong, the VPO Parties, the VPHK Parties and VPO HK have entered into the Supplemental Management

Services Framework Agreement to amend and restate the Management Services Framework Agreement to extend the scope of services and revise the annual caps for the continuing connected transactions contemplated under the Management Services Framework Agreement, pursuant to which, in addition to the Overseas Management Services, VPHK will retain VPO HK on an exclusive basis for, and the Enlarged Group, through VPO HK (who will enter into employment contracts with HK Management Team by the time of Completion), will provide, the HK Management Services to VPHK (including other subsidiaries of China Vanke which may become interested in any property development and/or investment projects in Hong Kong).

Supplemental Management Services Framework Agreement

The principal terms of the Supplemental Management Services Framework Agreement are set out below:

Date

29 August 2019 (after trading hours)

Parties

(1) VPO Parties;

(2) VPHK Parties; and

(3) VPO HK

Term

The term will commence on the Completion Date and will expire on 31 December 2021.

Services

Subject to the terms and conditions of the Supplemental Management Services Framework Agreement, the parties have agreed to extend the scope of services as contemplated under the Management Services Framework Agreement to include the HK Management Services such that in addition to the existing Overseas Management Services, VPHK will retain VPO HK on an exclusive basis for, and the Enlarged Group, through VPO HK (who will enter into employment contracts with HK Management Team by the time of Completion), will provide, the HK Management Services to VPHK (including other subsidiaries of China Vanke which may become interested in any property development and/or investment projects in Hong Kong). The HK Management Services shall include but not limited to the following services with respect to investment in Hong Kong real estate market:

(a) Market research and investment sourcing;

(b) Investment management and project management (including construction, development, sales and marketing management);

(c) Divestment of the relevant investment;

(d) Financing and cash flow management;

(e) Overall financial management;

(f) Legal and compliance management; and

(g) Company secretarial services.

Fees and basis of determination

For the HK Management Services, the fees payable by VPHK to VPO HK shall comprise of the management fee calculated at 1.25% per annum of the invested capital of the relevant project(s) in Hong Kong by VPHK and its subsidiaries. The invested capital shall include capital or debt financing provided by VPHK (but exclude capital or debt financing provided by third parties to VPHK for making the investments). On top of the aforementioned 1.25% fee, for project holding companies (which are subsidiaries of VPHK Group) with interests held by third parties (other than VPHK), an additional management fee shall be payable by such project company to VPO HK, which management fee is to be determined based on (i) the third party's interest in the relevant project and (ii) the then prevailing market standard of the management fee charged for the relevant project.

For the HK Management Services, the fee rate charged to VPHK of 1.25% per annum is the total fees charged by the Enlarged Group for all the services which are to be provided to VPHK Group (including the services related to the operations at the project holding company level), and is determined with reference to the rate of management fees charged by real estate fund managers (who are Independent Third Parties) for providing similar services. The additional management fee (if applicable) to be charged against the project company which is subsidiary of VPHK with respect to the third party's interest in such project is determined based on the then prevailing market standard of the management fee charged for the relevant project by third party project manager, and this represents the management fee for a proportionate share of the project management services received by the third party through the project holding company. The parties agree that VPO HK shall provide the HK Management Services to VPHK (and/or other subsidiaries of China Vanke which are interested in property development and/or investment projects in Hong Kong) on normal commercial terms or on terms which are no less favourable to VPO HK than those that VPO HK may transact with Independent Third Parties from time to time. The management fees for each transaction under the Supplemental Management Services Framework Agreement will be paid on a quarterly basis, and shall be free of all taxes, deductions, duties, tariffs and charges.

Save as the said amendment, the fees and basis of determination of the Overseas Management Services shall remain unchanged.

Revised Annual Caps of the Management Services and basis of determination

Pursuant to the Management Services Framework Agreement, the annual caps for the Overseas Management Services are equivalent to approximately HK$75 million, HK$165 million and HK$185 million for the three years ending 31 December 2019, 2020 and 2021, respectively.

The Revised Annual Caps for the transactions under the Supplemental Management Services Framework Agreement for the Overseas Management Services and the HK Management Services are revised to, in aggregate, HK$105 million, HK$215 million and HK$215 million for each of the three years ending 31 December 2019, 2020 and 2021, respectively.

In arriving at the above Revised Annual Caps, the Directors have considered, among others, the following assumptions and factors:

(i) the historical project and sales management cost incurred by VPHK Parties and its subsidiaries for its projects;

(ii) the estimated fee payable by the VPHK Parties and its subsidiaries based on the expected committed/invested capital to be incurred by VPHK Parties and its subsidiaries in the United Kingdom, the United States and Hong Kong for the three years ending 31 December 2019, 2020 and 2021. The total invested capital of the property projects to be managed under the Supplemental Management Services Framework Agreement amounted to not less than HK$16.6 billion (excluding the Property to be injected to the Enlarged Group through the Acquisition) as at the Latest Practicable Date and the expected total investment amount of the said projects is estimated to be approximately HK$2,700 million, HK$3,200 million and HK$2,100 million for the three years ending 31 December 2019, 2020 and 2021, respectively based on the latest investment plan of the relevant projects;

(iii) the estimated amount to be invested by third parties in project holding companies which are subsidiaries of VPHK and covered by HK Management Services;

(iv) a buffer for additional capital to be invested for acquisition of new projects by VPHK Parties and its subsidiaries for each of the years 2019, 2020 and 2021 in the United Kingdom, the United States of America and Hong Kong. A buffer of around 20% for the year ending 31 December 2019 and just below 10% for each of the years ending 31 December 2020 and 2021 on top of the aforementioned total estimated management fee and additional management fee per year for the three years ending 31 December 2019, 2020 and 2021 was adopted to allow for contingency situations where the management fee and additional management fee may increase, such as (a) change in economic conditions and performance of the property market in Hong Kong, the United Kingdom and the United States of America; (b) change in the construction costs for development of property projects and sales proceeds from projects in Hong Kong, the United Kingdom and the United States of America; (c) change in VPHK's investment strategy in Hong Kong, the United Kingdom and the United States of America; and (d) increase of staff salary due to inflation;

(v) the development stage of the project(s) to be managed under the Supplemental Management Services Framework Agreement; and

(vi) the economic conditions and performance of the property market in United Kingdom, the United States of America and Hong Kong.

Conditions precedent

Subject to the following conditions precedent, the Supplemental Management Services Framework Agreement will be effective immediately upon the Completion Date:

(a) the approval of the Independent Shareholders being obtained at the EGM; and

(b) the employment of the personnel designated by VPO HK who are currently responsible for overseeing and managing the operations of all property projects of the VPHK/China Vanke Group in Hong Kong on substantially the same terms as the existing employment agreements of these personnel, on or before Completion.

The above conditions precedent are non-waivable. If the conditions precedent fail to be satisfied on or before 31 December 2019 (or such other date as the parties may agree in writing), the Supplemental Management Services Framework Agreement shall lapse and neither party shall have a claim against the other, and for the avoidance of doubt, the Management Services Framework Agreement shall continue to be in force in such event and the VPO Parties shall continue to provide Overseas Management Services to VPHK Parties subject to the approved annual caps as set out in the circular of the Company dated 21 May 2019.

As at the Latest Practicable Date, none of the above conditions have been fulfilled.

Exclusive engagement by VPHK

In addition to the exclusive engagement of the VPO Parties by the VPHK Parties in respect of the Overseas Management Services, VPHK will engage VPO HK to provide the HK Management Services in Hong Kong on an exclusive basis unless VPO HK has indicated to VPHK in writing that it has decided not to accept the engagement in respect of any specific project whereupon VPHK or such other subsidiary of China Vanke are entitled to retain any third party for the provision of the HK Management Services in respect of the project concerned.

VPHK undertakes to VPO HK that it shall notify VPO HK as soon as practicable when it/any other subsidiaries of China Vanke become interested in any property development and/or investment projects (other than investments in the funds managed by an Independent Third Party and its subsidiaries) in Hong Kong.

Save as the aforementioned amendment, all other terms of the Management Services Framework Agreement in relation to the Overseas Management Services shall remain unchanged. For details of the terms of conditions of the Management Services Framework Agreement, please refer to the announcement of the Company dated 8 March 2019 and the circular of the Company dated 21 May 2019.

REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE CONTINUING CONNECTED TRANSACTIONS

As a milestone of its corporate development and a demonstration of the Group's ambition to develop its asset management and strengthen its property development and investment business, the Group completed the acquisitions of equity interests or investment instrument (as the case may be) in certain properties in London, the United Kingdom, San Francisco, the United States and New York, the United States respectively. Further, the Group has enhanced its asset management capabilities in the United Kingdom and the United States by recruiting the former employees of China Vanke Group and is currently providing asset management services in such places to China Vanke Group. These projects and business activities are expected to contribute income to the Group from the second half of 2019. Details of the above transactions and projects are disclosed in the circular of the Company dated 21 May 2019.

To continue the momentum of the Group's expansion of its asset management and property development and investment business, the Board considers that the Acquisition offers a good opportunity for the Group to broaden its portfolio in the property market in Hong Kong, especially that over 99% of the units in the West Rail Tsuen Wan West Station TW6 Property Development Project of the Group (the "**Pavilia Bay**") have been sold out. The Acquisition enables the Group to have new resources for providing long-term growth prospects and investment return to the Shareholders. Upon completion of the development of the Property into a hotel, the Property is expected to generate stable income to the Group.

In conjunction with the Acquisition, the HK Management Team will be employed by the Enlarged Group by the time of Completion. The HK Management Team has been established since 2012, and has accumulated valuable asset management, property development and investment competencies and experience in Hong Kong property market. In particular, key members of the HK Management Team (including project director, finance director and sales and marketing director) had previously worked at renowned conglomerates in property investment and development firms with rich experience in property development and investment prior to joining China Vanke. With the addition of these personnel, the Enlarged Group could lay a solid foundation to cultivate its asset management and property development and investment capabilities in the Hong Kong property market, and add a new income stream from the asset management arm. It is also expected that this will generate synergy with the existing asset management business of the Group in the United States and the United Kingdom and increase the overall competitive edge of the Enlarged Group in the real estate business sector.

The major pricing policies, principal terms and indicators set out in the Supplemental Management Services Framework Agreement also provide a fair and reasonable basis for the parties to determine the management fee without lengthy negotiations and incurring substantial time and costs for different projects in the future. The continuing connected transactions will be entered into in the ordinary and usual course of business of the Group on normal commercial terms and the Board is of the general view that it is in the interests of the Company and the Shareholders as a whole to enter into the continuing connected transactions. The Supplemental Management Services Framework Agreement also allows the Enlarged Group to benefit when the VPHK Parties invest in the United Kingdom, the United States of America and Hong Kong, whereas under the Management Services Framework Agreement, the Enlarged Group would only benefit when VPHK Parties invest in the United Kingdom and the United States.

For the foregoing reasons, the Directors (including the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee on page 32 to page 33 of this circular after taking into account the advice of the Independent Financial Adviser) are of the view that the terms of the Sale and Purchase Agreement and the Supplemental Management Services Framework Agreement (and the Revised Annual Caps) have been agreed after arm's length negotiations among the parties, are in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In addition to Hong Kong, the United Kingdom and the United States of America, the Group will keep an eye on other real estate markets in the world which have good development and investment potential in order to be open-minded about new opportunities for growth and expansion of the Company and value creation for the Shareholders as a whole.

INTERNAL CONTROL MEASURES

For purpose of monitoring the transactions under the Supplemental Management Services Framework Agreement, the following key internal control measures will be adopted by the Company:

(a) Any individual Hong Kong and overseas management services agreement should be reviewed by an executive Director and relevant legal and/or compliance personnel to ensure the terms and the management fee are in accordance with the Supplemental Management Services Framework Agreement and that the Revised Annual Caps will not be exceeded. In particular, to ensure the management fee to be received by the Company from time to time is no less favourable than those offered by the Independent Third Parties, the Company will review the management fee to be received by the Company annually by referring to the trend of the management fee in the market based on statistics of management fee rates of real estate funds globally provided by a financial data company and fees charged by listed issuers providing similar services and may enter into amended agreement to adjust the percentage of management fee to be received by the Company where necessary;

(b) The Company has designated certain members of the management to closely monitor and will periodically review the subsisting agreements and pricing terms (at least once every quarter) to ensure that the transactions contemplated under the Supplemental Management Services Framework Agreement will be conducted on normal commercial terms or terms which are no less favourable to VPO Parties and/or VPO HK than those that the VPO Parties and/or VPO HK may transact with Independent Third Parties in similar services;

(c) The independent non-executive Directors will conduct annual review and confirm whether the transactions contemplated under the Supplemental Management Services Framework Agreement are entered into in the ordinary course of business of the Group, on normal commercial terms or better and according to the Supplemental Management Services Framework Agreement on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole and ensure the Group has complied with the Listing Rules; and

(d) The Company will engage its auditors to report on the continuing connected transactions contemplated under the Supplemental Management Services Framework Agreement every year. The auditors will confirm to the Board in writing annually as to whether anything has come to their attention that causes them to believe that the continuing connected transactions contemplated under the Supplemental Management Services Framework Agreement: (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with the Supplemental Management Services Framework Agreement; and (iv) have exceeded the annual caps as set out therein. The Company will allow, and ensure that the counterparties to the Supplemental Management Services Framework Agreement will allow, the auditors sufficient access to their records for the purpose of reporting on the transactions.

REVENUE CONTRIBUTION FROM VPHK PARTIES/CHINA VANKE GROUP

Despite the fact that a portion of the revenue of the Enlarged Group following Completion may be derived from the VPHK Parties or other members of the China Vanke Group out of the provision of the Overseas Management Services and HK Management Services based on the Revised Annual Caps, the Directors do not consider this as an issue of undue reliance on the China Vanke Group on the following grounds:

(a) Based on the Revised Annual Caps of approximately HK$105 million, HK$215 million and HK$215 million for the three years ending 31 December 2019, 2020 and 2021, respectively, the expected percentages of revenue to be generated from the provision of Overseas Management Services and HK Management Services to the VPHK Group are expected to account for less than half of the total consolidated revenues to be generated by the Enlarged Group for each of the three years ending 31 December 2019, 2020 and 2021, on the assumptions that the total revenue will comprise of (i) the revenue to be generated from Regent Centre, the investment property of the Group located in Hong Kong; (ii) the revenue to be generated from Ryder Court, the investment property of the Group located in London, the United Kingdom; (iii) return to be generated from the investment instrument held by the Company in respect of funding the development of the Park Row property in New York; and (iv) the revenue from the Management Services under the Supplemental Management Services Framework Agreement, and including the revenue to be generated from the provision of Overseas Management Services and HK Management Services to third party customers.

(b) The management fee is calculated as 1.25% per annum of the invested capital of the relevant projects from VPHK Group. It is not uncommon for a single asset/project, in particular those sizeable asset/project, to have a large invested capital. As a result of the sizeable projects with substantial amount of invested capital, VPHK Group or other customers would easily become the major customers of the Enlarged Group even when the number of properties/projects to be managed by the Enlarged Group (through the VPO Parties) is minimal. This is especially the case for China Vanke Group, as one of the largest residential companies in China since its founding in 1984 and one of the world's largest real estate companies as a Fortune Global 500 company, which has various properties/projects with sizeable invested capital.

(c) The property development, investment and management industry (whether in Hong Kong, the United Kingdom or the United States) is an industry with high entry barriers due to the high requirements on reputation and capital. The number of players on the supply side and the demand side are limited when compared with most of the other industries. The Board believes that customer concentration is not uncommon for property asset management companies/teams as it is an industrial norm that proven track record, experience and reputation of the property management personnel are crucial considerations by property investors/project owners when engaging property management services providers. It is not uncommon for a single property asset management services provider to provide management services to various properties or projects of a single property investor customer given the relationship, trust and mutual understanding of the respective business practices established, not to mention the reputation and proven track record of the property management personnel. Furthermore, most property asset management companies/teams are also inclined to manage more properties or sizeable properties for a few customers instead of various customers, hence giving rise to perceived customer concentration, for easy management and/or more efficient use of available financial or human resources. Such arrangement or common market phenomenon is mutually beneficial to the management services provider and property investors/owners, and their relationship is indeed quite mutually dependent, and the costs for the property investors/owners to engage new management service provider are relatively high.

(d) The business relationship and transaction amount between the Enlarged Group and VPHK Group for purpose of the Overseas Management Services and the HK Management Services are unlikely to substantially decrease in the near future as VPHK/China Vanke will continue to retain interest in properties in the United Kingdom, the United States of America and Hong Kong. The provision of the Overseas Management Services and HK Management Services to VPHK Group/China Vanke Group are essential for continuation of the existing property asset management for the existing portfolio of properties which will be required to be carried out on normal commercial terms in the ordinary course of business. The continuation of the provision of the Overseas Management Services and HK Management Services to VPHK Group will allow the Overseas Management Team and the HK Management Team to continue to manage the properties retained by VPHK/China Vanke Group and thus minimizing disruption to the business of both the Group and the VPHK Group, and enhancing the experience, reputation and business profile of the Enlarged Group for attracting more third party customers. Accordingly, the benefit is mutual and complementary to both the Enlarged Group and VPHK Group/China Vanke Group as such arrangement can enable both the Enlarged Group and VPHK Group/China Vanke Group to achieve synergy.

(e) The HK Management Team, which will become part of the workforce of the Enlarged Group, was established in Hong Kong since 2012, and has accumulated valuable asset management, property development and investment competencies and experience in Hong Kong property market. In particular, key members of the HK Management Team (including project director, finance director and sales and marketing director) previously worked at renowned conglomerates in property investment and development firms with rich experience in property development and investment prior to joining China Vanke Group. They had developed an in-depth understanding of the requirements of various types of customers such as property developers, investment funds and financial institutions over the years with proven track record. The HK Management Team had also been making continuous efforts to diversify its scope and type of projects and expand its customer base. Subject to Completion and riding on the reputation, capability and experience of the HK Management Team (which are crucial considerations by property equity investors/project owners when engaging property management services providers), it is expected that the HK Management Team will help strengthen the capabilities of the Enlarged Group in its property development, investment and management business in Hong Kong which in turn is expected to improve management efficiency and attract and bring in other management projects from third party customers so as to facilitate future expansion of the Enlarged Group to provide assets management services to more third parties.

(f) There is no issue of management, financial or operational reliance on VPHK Group/China Vanke Group in relation to the provision of the Management Services on the basis that (i) the day-to-day management of the business of the Enlarged Group rests primarily with the Board and the senior management of the Enlarged Group; (ii) the Enlarged Group will have an independent accounting, financial and internal controls system, and will make financial decisions according to its own business needs; and

(iii) with the joining of the HK Management Team to the Enlarged Group as part of the workforce of the Enlarged Group by the time of Completion, the Enlarged Group will possess all the necessary human capital and expertise that are necessary to carry on and operate its business and has sufficient operational capacity in terms of capital and employees to operate independently from VPHK Group/China Vanke Group to provide the HK Management Services and has direct and independent access to suppliers and customers.

In addition to the above, reference is also made to the section headed "Revenue Contribution from VPHK Parties/China Vanke Group" of the Letter from the Board as set out in the circular of the Company dated 21 May 2019.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. Further, as the Vendor is a wholly-owned subsidiary of VPHK, a controlling Shareholder indirectly holding 75% of the issued share capital of the Company, the Vendor is a connected person and the Acquisition also constitutes a connected transaction under Chapter 14A of the Listing Rules. Accordingly, the Sale and Purchase Agreement and the transactions contemplated thereunder are subject to reporting, announcement and approval of the Independent Shareholders.

Given VPHK is the controlling Shareholder and each other VPHK Party is a subsidiary or fellow subsidiary of VPHK, the transactions contemplated under the Supplemental Management Services Framework Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Supplemental Management Services Framework Agreement exceed 5% on an annual basis, the transactions contemplated under the Supplemental Management Services Framework Agreement and the Revised Annual Caps are subject to reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

None of the Directors have any material interest in the Acquisition and the amendment of annual caps and terms of the existing continuing connected transactions, nor have they abstained from voting on the Board resolutions approving the Sale and Purchase Agreement, the Supplemental Management Services Framework Agreement, the transactions contemplated thereunder and the Revised Annual Caps.

For the reasons as detailed in the paragraphs headed "Reasons for and benefits of the Acquisition and the continuing connected transactions" in this circular, the Directors (including the independent non-executive Directors whose views have been set out in the letter from the Independent Board Committee after taking into account the advice of the Independent Financial Adviser) are of the view that the terms of the Acquisition pursuant to the Sale and Purchase Agreement and the Supplemental Management Services Framework Agreement and the transactions contemplated thereunder, as well as the Revised Annual Caps are in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. As such, the Directors recommend the Independent Shareholders to vote in favour of approving (i) the

Acquisition contemplated under the Sale and Purchase Agreement; and (ii) the Supplemental Management Services Framework Agreement and the transactions contemplated thereunder and the Revised Annual Caps at the EGM.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all the independent non-executive Directors was established to advise the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder; and the Supplemental Management Services Framework Agreement and the transactions contemplated thereunder and the Revised Annual Caps.

Success New Spring Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

III. PROPOSED CHANGE OF COMPANY NAME

The Board announced on 15 August 2019 that it proposed to change the English name of the Company from "Vanke Property (Overseas) Limited" to "Vanke Overseas Investment Holding Company Limited" and to change its dual foreign name in Chinese from "萬科置業(海外)有限公司" to "萬科海外投資控股有限公司", subject to the conditions set out below being fulfilled.

Conditions for the Proposed Changed of Company Name

The proposed Change of Company Name is subject to the following conditions having been satisfied:

(i) the passing of a special resolution by Shareholders at the EGM to approve, amongst others, the proposed Change of Company Name; and

(ii) the Registrar of Companies in the Cayman Islands approving the proposed Change of Company Name.

Subject to the satisfaction of all the conditions set out above, the proposed Change of Company Name will take effect from the date of issue of the certificate of incorporation on change of name by the Registrar of Companies in the Cayman Islands. Thereafter, the Company will carry out all necessary filing and registration procedures with the Companies Registry in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

Reasons for the Proposed Change of Company Name

As a milestone of its corporate development and a demonstration of the Group's ambition to develop its asset management and strengthen its property development and investment business, the Group completed the acquisitions of equity interests or investment instruments (as the case may be) in certain properties in London, the United Kingdom, San Francisco, the United States and New York, the United States respectively in June 2019. Further, the Group has enhanced its asset management capabilities in the United Kingdom and the United States by recruiting the former employees of China Vanke Group and is currently providing asset management services in such places to China Vanke Group (other than the Group). Details of the above transactions and projects are disclosed in the circular of the Company dated 21 May 2019.

Reference is also made to the Company's proposed Acquisition under the Sale and Purchase Agreement and the Supplemental Management Services Framework Agreement and the transactions contemplated thereunder, details of which are disclosed in the Company's announcement dated 29 August 2019 and this circular and Completion is expected to strengthen the Company's asset management and property development and investment business in Hong Kong.

Going forward, the Group will continue the momentum of the Group's expansion of its asset management and property development and investment business as its principal business. The Board considers that the proposed Change of Company Name will better reflect the current status of the Group's business and to better promote the corporate image and the future strategic business development of the Group as described above. As such, the Board is of the view that the proposed Change of Company Name is in the best interests of the Company and Shareholders as a whole.

Effects of the Proposed Change of Company Name

The proposed Change of Company Name will not affect any of the rights of the existing Shareholders or the Company's daily business operation and/or its financial position. All existing share certificates of the Company in issue bearing the existing name of the Company will, after the proposed Change of Company Name becoming effective, continue to be evidence of title to the Shares and will remain to be valid for trading, settlement, registration and delivery purposes.

Accordingly, there will not be any arrangement for free exchange of existing share certificates of the Company in issue for new share certificates under the Company's new name. Once the proposed Change of Company Name becomes effective, new certificates of securities of the Company will be issued only in the new name of the Company.

In addition, subject to the confirmation of the Stock Exchange, the Company intends to change the stock short names of the Company for trading of the Shares on the Stock Exchange after the proposed Change of Name becomes effective.

Further, without regard as to whether the Change of Company Name is effective or not, the website of the Company will remain to be www.vankeoverseas.com.

Further announcement(s) will be made by the Company as and when appropriate to inform the Shareholders of the results of the EGM, the effective date of the Change of Company Name and the new English and Chinese stock short names of the Company for trading of the Shares on the Stock Exchange.

EGM

A notice convening the EGM to be held at 1804A, 18/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong on Thursday, 31 October 2019 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 to this circular.

Whether or not you are able to attend and/or vote at the extraordinary general meeting in person, you are requested to complete the enclosed proxy form and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from subsequently attending and voting at the extraordinary general meeting or any adjournment thereof in person should you so wish.

Only Independent Shareholders will be entitled to vote at the EGM on the resolutions to approve, among other things:

(1) the Sale and Purchase Agreement and the transactions contemplated thereunder; and

(2) the Supplemental Management Services Framework Agreement and the transactions contemplated thereunder and the Revised Annual Caps.

All Shareholders will be entitled to vote at the EGM on the resolutions to approve the Change of Company Name.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder apart from China Vanke and its associates shall abstain from voting on the resolutions approving the Sale and Purchase Agreement, the Supplemental Management Services Framework Agreement and the transactions contemplated thereunder and the Revised Annual Caps. Wkland Investments, being an associate of China Vanke, is interested in 292,145,949 Shares representing 75% of the entire issued share capital of the Company as at the Latest Practicable Date, and will abstain from voting on such resolutions.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder shall abstain from voting on the resolution approving the Change of Company Name.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, the resolutions put to the vote at the EGM will be taken by way of poll. The chairman of the EGM will explain the detailed procedures for conducting a poll at the commencement of the EGM.

After the conclusion of the EGM, the poll results will be published on the respective websites of the Stock Exchange and the Company.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining Shareholders' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 28 October 2019 to Thursday, 31 October 2019, both dates inclusive, during which period no transfer of the Shares will be effected. In order to be eligible to attend and vote at the EGM, all transfers of the Shares accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shop 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on Friday, 25 October 2019.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 32 to 33 of this circular and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 34 to 68 of this circular in connection with the transactions contemplated under the Sale and Purchase Agreement and the Supplemental Management Services Framework Agreement and reasons considered in arriving at such advice.

The Independent Board Committee, having taken into account the advice of Independent Financial Adviser, considers that the Sale and Purchase Agreement and the Supplemental Management Services Framework Agreement are entered into on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned, and the transactions contemplated under the Supplemental Management Services Framework Agreement are in the ordinary and usual course of business of the Group. In addition, the Independent Board Committee considers that each of (i) the Acquisition under the Sale and Purchase Agreement; and (ii) the Supplemental Management Services Framework Agreement and the transactions contemplated thereunder and the Revised Annual Caps are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of resolution(s) approving (i) the Acquisition contemplated under the Sale and Purchase Agreement; and (ii) the Supplemental Management Services Framework Agreement and the transactions contemplated thereunder and the Revised Annual Caps at the EGM. The Board (including the independent non-executive Directors) also recommends the Independent Shareholders to vote in favour of the resolutions approving (i) the Acquisition contemplated under the Sale and Purchase Agreement; and (ii) the Supplemental Management Services Framework Agreement and the transactions contemplated thereunder and the Revised Annual Caps at the EGM.

Further, the Directors consider that the proposed resolution for the Change of Company Name is in the best interests of the Company and the Shareholders as a whole and therefore recommend you to vote in favour of the resolution to be proposed at the EGM.

FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Completion of the Acquisition and the amendment of annual caps and terms of existing continuing connected transactions are subject to the satisfaction (or, if applicable, waiver) of the conditions precedent thereto and as such, the Acquisition and the amendment of annual caps and terms of existing continuing connected transactions may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and other securities of the Company.

By order of the board of
Vanke Property (Overseas) Limited
Que Dongwu
Executive Director and Chief Executive Officer

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)

30 September 2019

To the Independent Shareholders

Dear Sir or Madam

(1) MAJOR AND CONNECTED TRANSACTION; AND (2) AMENDMENT OF ANNUAL CAPS & TERMS OF EXISTING CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 30 September 2019 issued by the Company of which this letter forms part (the "**Circular**"). Capitalised terms used in this letter shall have the same meaning as those defined in the Circular unless otherwise specified.

We have been appointed by the Board as the members of the Independent Board Committee to consider and to give recommendation to the Independent Shareholders on (i) the Acquisition contemplated under the Sale and Purchase Agreement; and (ii) the Supplemental Management Services Framework Agreement and the transactions contemplated thereunder and the Revised Annual Caps. We wish to draw your attention to the letter from the Board set out on pages 8 to 31 of the Circular and the letter from Success New Spring Capital set out on pages 34 to 68 of the Circular.

Having considered the factors and reasons considered by and the opinion of Success New Spring Capital as stated in its letter, we are of the view that each of (i) the Acquisition contemplated under the Sale and Purchase Agreements; and (ii) the Supplemental Management Services Framework Agreement and the transactions contemplated thereunder and the Revised Annual Caps are in the ordinary and usual course of business of the Company, on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the resolutions approving (i) the Acquisition contemplated under the Sale and Purchase Agreement; and (ii) the Supplemental Management Services Framework Agreement and the transactions contemplated thereunder and the Revised Annual Caps at the EGM.

Yours faithfully,
Independent Board Committee

Chan Wai Hei, William	**Law Chi Yin, Cynthia**	**Zhang Anzhi**
Independent Non-Executive Director	*Independent Non-Executive Director*	*Independent Non-Executive Director*

The following is the full text of a letter of advice from Success New Spring Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, setting out their opinion in respect of (i) the Acquisition contemplated under the Sale and Purchase Agreement; and (ii) the Supplemental Management Services Framework Agreement and the transactions contemplated thereunder and the Revised Annual Caps for the purpose of inclusion in this circular.

SUCCESS

SUCCESS NEW SPRING CAPITAL LIMITED
實德新源資本有限公司

16/F., Great Eagle Centre,
23 Harbour Road, Wanchai, Hong Kong

30 September 2019

To: the Independent Board Committee and the Independent Shareholders of Vanke Property (Overseas) Limited

Dear Sirs or Madams,

(1) MAJOR AND CONNECTED TRANSACTION; AND (2) AMENDMENT OF ANNUAL CAPS AND TERMS OF EXISTING CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders with respect to the Sale and Purchase Agreement and the transactions contemplated thereunder, the Supplemental Management Services Framework Agreement and the transactions contemplated thereunder and the Revised Annual Caps, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 30 September 2019 (the "**Circular**") issued by the Company to the Shareholders, of which this letter of advice forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 29 August 2019 (after trading hours), the Purchaser entered into the Sale and Purchase Agreement pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares and the Sale Loan, representing approximately 99.80% (subject to final determination at Completion and in no event being less than 99%) of the issued share capital of the Target and the shareholder's loan due from the Target Group, for a consideration of HK$594.8 million (subject to adjustment) by way of cash.

On the same date, the VPO Parties, the VPHK Parties and VPO HK have entered into the Supplemental Management Services Framework Agreement to amend and restate the Management Services Framework Agreement to extend the scope of services and revise the annual caps for the continuing connected transactions contemplated under the Management Services Framework Agreement, such that in addition to the existing Overseas Management Services, VPHK will retain VPO HK on an exclusive basis for, and the Enlarged Group, through VPO HK (who will enter into employment contracts with HK Management Team by the time of Completion), will provide, the HK Management Services to VPHK (including other subsidiaries of China Vanke which may become interested in any property development and/or investment projects in Hong Kong), subject to terms and conditions of the Supplemental Management Services Framework Agreement. The Supplemental Management Services Framework Agreement will be effective immediately upon the Completion Date and remain effective until 31 December 2021.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. Further, as the Vendor is a wholly-owned subsidiary of VPHK, a controlling Shareholder indirectly holding 75% of the issued share capital of the Company, the Vendor is a connected person and the Acquisition also constitutes a connected transaction under Chapter 14A of the Listing Rules. Accordingly, the Sale and Purchase Agreement and the transactions contemplated thereunder are subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

Given VPHK is the controlling Shareholder and each other VPHK Party is a subsidiary or fellow subsidiary of VPHK, the transactions contemplated under the Supplemental Management Services Framework Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Supplemental Management Services Framework Agreement exceed 5% on an annual basis, the transactions contemplated under the Supplemental Management Services Framework Agreement and the Revised Annual Caps are subject to reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising Mr. Chan Wai Hei, William, Ms. Law Chi Yin, Cynthia and Mr. Zhang Anzhi, being all the independent non-executive Directors has been formed to give recommendation to the Independent Shareholders as to (i) whether the terms of the Sale and Purchase Agreement and the Supplemental Management Services Framework Agreement are on normal commercial terms and are fair and reasonable; (ii) whether the Acquisition contemplated under the Sale and Purchase Agreement, the Supplemental Management Services Framework Agreement and the transactions contemplated thereunder and the Revised Annual Caps are in the ordinary and usual course of business of the Company; (iii) whether the Acquisition contemplated under the Sale and Purchase Agreement, the Supplemental Management Services Framework Agreement and the transactions contemplated thereunder and the Revised Annual Caps are in the interests of the Company and the Independent Shareholders as a whole; and (iv) how the Independent Shareholders should vote on the resolution(s) in relation to the Sale and Purchase Agreement, the Supplemental Management Services Framework Agreement and the transactions contemplated thereunder and the Revised Annual Caps at the EGM.

OUR INDEPENDENCE

We do not have any relationship with or interest in the Company, the China Vanke Group or any other parties that could reasonably be regarded as relevant to our independence as at the Latest Practicable Date. In the past two years and up to the Latest Practicable Date, we had only acted as the independent financial adviser to the independent board committee and the independent shareholders of the Company regarding certain acquisitions and continuing connected transactions as mentioned in the circular of the Company dated 21 May 2019. Apart from normal professional fees for our services to the Company in connection with the engagement described above as well as this appointment as the independent financial adviser, no arrangement exists whereby we will receive any fees and benefits from the Group or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, as at the Latest Practicable Date, there were no circumstances existing under Rule 13.84 of the Listing Rules that could reasonably be regarded as a hindrance to our independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition contemplated under the Sale and Purchase Agreement, the Supplemental Management Services Framework Agreement and the transactions contemplated thereunder and the Revised Annual Caps as detailed in the Circular.

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things: (i) the annual reports of the Company for each of the years ended 31 December 2017 and 2018 (collectively, the "**Annual Reports**"); (ii) the interim report of the Company for the six months ended 30 June 2019 (the "**2019 Interim Report**"); (iii) the Sale and Purchase Agreement; (iv) the Supplemental Management Services Framework Agreement; (v) the valuation report on the Property issued by Knight Frank, an independent qualified valuer (the "**Independent Valuer**") as at 31 July 2019 (the "**Valuation Report**"); and (vi) other information as set out in the Circular.

We have discussed the valuation methodologies, bases and assumptions adopted for the valuation of the Property with the Independent Valuer. We have also conducted site visit on the Property and discussed with the management of the Company in relation to the Property.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Company (collectively, the "**Management**"). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date.

We have assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular (or otherwise provided to us by the Management) were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reasons to suspect that any relevant information has been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions expressed by the Management to us untrue, inaccurate or misleading.

We consider that we have been provided with sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular to provide a reasonable basis for our opinions and recommendations. We consider that we have performed all the necessary steps as required under Rule 13.80 of the Listing Rules to enable us to reach an informed view and to justify our reliance on the information provided and representations made to us so as to form a reasonable basis for our opinions. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

Shareholders should note that subsequent developments (including material change in market and economic conditions) may affect and/or change our opinion (which does not limit to the potential risks that may affect the Acquisition contemplated under the Sale and Purchase Agreement, the Supplemental Management Services Framework Agreement and the transactions contemplated thereunder and the Revised Annual Caps as stated in this letter) and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration in respect of the Acquisition, the Supplemental Management Services Framework Agreement and the transactions contemplated thereunder and the Revised Annual Caps, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

A. THE ACQUISITION

On 29 August 2019 (after trading hours), the Purchaser entered into the Sale and Purchase Agreement pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares and the Sale Loan, representing approximately 99.80% (subject to final determination at Completion and in no event being less than 99%) of the issued share capital of the Target and the entire shareholder's loan (which is in the principal amount of approximately HK$325.8 million) due to VPHK by the Target Group, for a consideration of HK$594.8 million (subject to adjustment) by way of cash. As at the Latest Practicable Date, the Target indirectly owns the entire interest in the Property.

In formulating our opinion in respect of the Acquisition and the transactions contemplated thereunder, we have taken into account the following principal factors and reasons:

Information on the Group, the Vendor and the Target Group

Information on the Group

According to the 2019 Interim Report, the Group is now principally engaged in asset management and property development and investment. As extracted from the 2019 Interim Report, on 30 June 2019, the Group completed the acquisitions (the "**Overseas 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. In addition, the Management Services Framework Agreement also took effect on 30 June 2019 pursuant to which the Group is to provide the Overseas Management Services to the VPHK Parties (including other subsidiaries of 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). For details of the Overseas Acquisitions and the Overseas Management Services, please refer to the Company's announcement dated 8 March 2019 and the circular dated 21 May 2019 relating to the Overseas Acquisitions and the Overseas Management Services.

The table below sets out a summary of the consolidated financial information of the Group for the two years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, as extracted from the Annual Reports and the 2019 Interim Report:

Summarised financial results of the Group

	For the year ended 31 December		**For the six months ended 30 June**
	2017	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(unaudited)
Revenue	96,460	101,780	51,136
Profit before taxation	167,791	689,790	83,822
Profit after taxation	155,149	676,843	77,762

The Group's revenue was derived from the leasing of units and car parking spaces in Regent Centre, Hong Kong for the years ended 31 December 2017 and 2018, as well as for the six months ended 30 June 2019. We note that the Group's revenue had further increased by approximately 5.5% to HK$101.8 million for the year ended 31 December 2018 as compared to the year ended 31 December 2017, which was mainly due to the improved occupancy and the increase in passing rent for the units in Regent Centre during the year. We also note that the Group's revenue was approximately HK$51.1 million for the six months ended 30 June 2019 (six months ended 30 June 2018: HK$50.3 million). The increase was mainly attributable to the improved average occupancy and the increase in average passing rent for the units in Regent Centre during the period.

We note that the Group's profit after tax had increased by approximately 4.36 times to HK$676.8 million for the year ended 31 December 2018 as compared to the year ended 31 December 2017, which was mainly due to (i) the increase in revenue from the Group's rental and property management business; (ii) the increase in interest income; (iii) share of profits of associates of HK$465.7 million for the year ended 31 December 2018, which was mainly due to recognition of profits by Ultimate Vantage Limited ("**Ultimate Vantage**") on the sale of units of the West Rail Tsuen Wan West Station TW6 property development project, The Pavilia Bay; and (iv) the increase in fair value gain of investment properties. For the six months ended 30 June 2019, the Group's profit after tax was approximately HK$77.8 million (six months ended 30 June 2018: HK$171.0 million). The decrease was mainly due to the decrease in fair value gain of investment properties during the period.

Summarised financial position of the Group

	As at 31 December		As at 30 June
	2017	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(unaudited)
Bank balances and cash	865,905	1,425,085	934,533
Current assets	1,023,408	1,439,959	957,410
Current liabilities	37,606	38,798	622,141
Net assets	3,001,610	3,666,767	3,709,682

The Group's total bank balances and cash decreased from approximately HK$1,425.1 million as at 31 December 2018 to approximately HK$934.5 million as at 30 June 2019, which was mainly attributable to the payment for the consideration of the Overseas Acquisitions. As at 30 June 2019, the net proceeds from the rights issue were fully utilised. As at 31 December 2018, the Group's total bank balances and cash amounted to approximately HK$1,425.1 million, which represented an increase of approximately 64.6% from approximately HK$865.9 million as at 31 December 2017. The increase was mainly attributable to (i) the receipt of 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); (ii) the partial repayment of amount due from Gold Value Limited ("**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 (iii) the receipt of dividends from Ultimate Vantage of approximately HK$325.0 million, the details of which please refer to the Annual Report for the year ended 31 December 2018.

The Group had no interest-bearing debts and undrawn banking facilities as at 31 December 2017 and 2018. As at 30 June 2019, the Company has a banking facility of GBP75.0 million (equivalent to approximately HK$743.9 million) in which GBP74.8 million (equivalent to approximately HK$741.7 million) has been utilised as at 30 June 2019. As at 30 June 2019, the debt-to-equity ratio, which is calculated as interest-bearing bank and other borrowings divided by total equity of the Group, was approximately 31.4%.

The Group's net assets amounted to approximately HK$3,709.7 million as at 30 June 2019, which represented an increase of approximately 1.2% from approximately HK$3,666.8 million as at 31 December 2018. The increase was due to the profit attributable to the shareholders of the Company of approximately HK$77.8 million, which was partially set off by the payment of 2018 final dividend of approximately HK$35.0 million. The Group's net assets amounted to approximately HK$3,666.8 million as at 31 December 2018, which represented an increase of approximately 22.2% from approximately HK$3,001.6 million as at 31 December 2017. The increase was due to the profit attributable to the shareholders of the Company for the period of approximately HK$676.8 million, which was partially set off by the payment of 2018 final dividend of approximately HK$11.7 million.

Information on VPHK and the Vendor

VPHK is an investment holding company which is principally engaged in property development and investment. It is one of the investment platforms of the property business of China Vanke.

Wkinv HK Holdings Limited, as the Vendor, is a wholly-owned subsidiary of VPHK and is an investment holding company.

Information on the Target Former Group and the Property

The Target is a subsidiary of the Vendor and is an investment holding company which indirectly holds the entire interest in the Property.

The table below sets out a summary of the audited financial information of the Target Former Group for the period from 6 May 2016 (being the date of incorporation) to 31 December 2016, the two years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, as extracted from the Accountants' Report of the Target Former Group as set out in Appendix II to the Circular:

Summarised financial results of the Target Former Group

	For the period from 6 May 2016 (date of incorporation) to 31 December 2016	For the years ended 31 December		For the six months ended 30 June	
		2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	—	—	—	—	—
Loss before taxation	(107)	(81)	(76)	(38)	(38)
Loss after taxation	(107)	(81)	(76)	(38)	(38)

As shown above, we note that the Target Former Group recorded revenue of nil for the period from 6 May 2016 (being the date of incorporation) to 31 December 2016, the two years ended 31 December 2017 and 2018, and the six months ended 30 June 2019. The Target Former Group's loss after taxation for the year ended 31 December 2017 had decreased by approximately 24.3% to approximately HK$81,000 as compared to that of the period from 6 May 2016 (being the date of incorporation) to 31 December 2016, which was mainly due to the incorporation fee incurred during the period ended 31 December 2016. The Target Former Group's loss after taxation for the year ended 31 December 2018 had decreased by approximately 6.2% to approximately HK$76,000 as compared to that of the year ended 31 December 2017, which was mainly due to the decrease in legal and professional fee. The Target Former Group's loss after taxation for the six months ended 30 June 2019 was approximately HK$38,000, which was the same as compared to that of the six months ended 30 June 2018.

Summarised financial position of the Target Former Group

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	—*	—*	—*	—*
Total liabilities	107	188	264	302
Net liabilities	107	188	264	302

* *Represent amount of less than HK$1,000*

The Target Former Group was set up for the purpose of investment holding and its total assets had remained minimal as at 31 December 2016, 2017 and 2018, and 30 June 2019. The total liabilities and net liabilities had increased by approximately 75.7% from approximately HK$107,000 as at 31 December 2016 to approximately HK$188,000 as at 31 December 2017, which was mainly attributable to the expenses paid on behalf of the Target Former Group by an intermediate holding company.

The total liabilities and net liabilities had increased by approximately 40.4% from approximately HK$188,000 as at 31 December 2017 to approximately HK$264,000 as at 31 December 2018, and further increased by approximately 14.4% to approximately HK$302,000 as at 30 June 2019, which was mainly due to the expenses paid on behalf of the Target Former Group by an intermediate holding company.

As at the Latest Practicable Date, Realty Asset is a wholly-owned subsidiary of the Target principally engaged in holding of the Property. Realty Asset directly holds the entire interest in the Property and the Target Group currently intends to re-develop the Property into a hotel. The original acquisition cost incurred by the VPHK Group for acquiring the entire equity interest in, and the entire shareholder's loan due from, Realty Asset (including transaction fees and stamp duty paid) was approximately HK$588 million.

The table below sets out a summary of the audited financial information of Realty Asset for the three years ended 31 March 2017, 2018 and 2019, as extracted from the Accountants' Report of Realty Asset as set out in Appendix III to the Circular:

Summarised financial results of Realty Asset

	For the year ended 31 March		
	2017	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	—	—	—
Profit before taxation	53,810	58,704	2,242
Profit after taxation	53,810	58,704	2,242

As shown above, we note that Realty Asset recorded revenue of nil for the three years ended 31 March 2017, 2018 and 2019. Realty Asset's profit after taxation for the year ended 31 March 2019 had decreased by approximately 96.2% to approximately HK$2.2 million as compared to the year ended 31 March 2018, which was mainly attributable to the significant decrease in fair value gain of the investment properties under redevelopment. Realty Asset's profit after taxation for the year ended 31 March 2018 had increased by approximately 9.1% to approximately HK$58.7 million as compared to the year ended 31 March 2017, which was mainly attributable to the increase in fair value gain of the investment properties under redevelopment.

Summarised financial position of Realty Asset

	As at 31 March		
	2017	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	456,660	520,073	527,024
Total liabilities	307,350	312,059	316,768
Net assets	149,310	208,014	210,256

Realty Asset's total assets had increased by approximately 13.9% from approximately HK$456.7 million as at 31 March 2017 to approximately HK$520.1 million as at 31 March 2018, which was mainly attributable from the increase in fair value gain of the investment properties under redevelopment; while the total liabilities had increased by approximately 1.5% from approximately HK$307.4 million as at 31 March 2017 to approximately HK$312.1 million as at 31 March 2018, which was mainly due to the increase in interest payable arising from bank loan and a loan from a former related company. The net assets of Realty Asset increased by approximately 39.3% from approximately HK$149.3 million as at 31 March 2017 to approximately HK$208.0 million as at 31 March 2018. The increase was mainly attributable to the increase in fair value gain of the investment properties under redevelopment.

Realty Asset's total assets had increased by approximately 1.3% from approximately HK$520.1 million as at 31 March 2018 to approximately HK$527.0 million as at 31 March 2019, which was mainly due to the increase in fair value gain of the investment properties under redevelopment; while the total liabilities had increased by approximately 1.5% from approximately HK$312.1 million as at 31 March 2018 to approximately HK$316.8 million as at 31 March 2019, which was mainly due to the increase in interest payable arising from bank loan and a loan from a former related company. The net assets of Realty Asset increased by approximately 1.1% from approximately HK$208.0 million as at 31 March 2018 to approximately HK$210.3 million as at 31 March 2019. The increase was mainly attributable to the increase in fair value gain of the investment properties under redevelopment.

Property

The Property covers a total site area of approximately 403.2 sq. m. and consists of the pieces or parcels of ground located in North Point, Hong Kong and registered in the Land Registry as Inland Lot Nos. 6748, 6747, 6746 and 6745 together with the messuages erections and buildings thereon knows as No. 62, 64, 66 and 68 Chun Yeung Street, Hong Kong. The pieces of land are subject to government leases which were deemed to have been granted under the provisions of the Government Leases Ordinance (Chapter 40 of the Laws of the Hong Kong) for the renewed term of 75 years from 5 September 1996 upon expiration of the original government leases and are permitted for residential and/or commercial uses under the current land administrative regime.

As advised by the Management, the development of the Property will comprise a total planned gross floor area of approximately 6,047.9 sq. m. and it is planned to be for hotel development project (the "**Hotel Development Project**"). The Hotel Development Project is expected to build hotel building with a total hotel serviced apartment of around 150–200 units on top of podiums, which includes lobbies, parking areas, club house and retail areas. After completing the design and pre-construction, the construction work is planned to commence by the end of 2019 and expected to be completed in the fourth quarter of 2022. Subject to all necessary licenses and approvals for hotel operations being obtained, the Hotel Development Project is expected to be in operation in the fourth quarter of 2023.

The Sale and Purchase Agreement

The principal terms of the Sale and Purchase Agreement are set out below:

Date

29 August 2019

Parties

(1) the Purchaser, a wholly-owned subsidiary of the Company, as the purchaser; and

(2) the Vendor, a wholly-owned subsidiary of VPHK, as the vendor.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares and the Sale Loan, representing approximately 99.80% (subject to final determination at Completion and in no event being less than 99%) of the issued share capital of the Target and the entire shareholder's loan (which is in the principal amount of approximately HK$325.8 million) due to VPHK by the Target Group, upon Completion.

According to the Letter from the Board, the Sale Shares Percentage was not determined at the time of signing of the Sale and Purchase Agreement as it was subject to the actual investment amount to be committed or made by the employees of the Group and the China Vanke Group through the co-investment scheme before the Completion. We are advised by the Directors that (i) in accordance with the terms of the Sale and Purchase Agreement, the Consideration will also be adjusted in proportion to the final Sale Shares Percentage; (ii) there is a maximum amount of shareholding to be participated by such employee co-investment and therefore the Group can still hold at least 99% interest in the underlying project; and (iii) such employee co-investment scheme can ensure alignment of interests between employees and the Group. As such, we consider the determination of the final percentage and such employee co-investment arrangement are fair and reasonable and in the interests of the Company and Shareholders as a whole. As at the Latest Practicable Date, it has been determined that the Sale Shares Percentage will be approximately 99.89% and the remaining approximately 0.11% of the issued share capital of the Target will be beneficially or effectively owned by certain employees of the Group and China Vanke Group (including certain key employees of HK Management Team who will become directors of VPO HK) who are responsible for developing and managing the Property as an employee co-investment arrangement as at Completion, and such employees will remain to be beneficially or effectively interested in the Target after Completion.

Consideration

The Consideration payable for the sale and purchase of the Sale Shares and the Sale Loan shall be HK$594.8 million, subject to adjustment, of which:

(i) 5% of the Consideration being HK$29.8 million was paid by the Purchaser to the Vendor within 5 Business Days of the date of signing of the Sale and Purchase Agreement as refundable deposit;

(ii) 90% of the Consideration being HK$535.2 million will be payable by the Purchaser to the Vendor in cash on the Completion Date; and

(iii) 5% of the Consideration being the remaining HK$29.8 million (the "**Retention Amount**") will be payable within 5 Business Days after the date of determination of the consolidated net asset value of the Target as at the Completion Date (the "**Completion NAV**") on the basis of the value of the Property being fixed at HK$596.0 million (on a 100%-basis) and a cash-free and debt-free position of the Target Group. The Completion NAV will be determined based on adding all the assets held by the Target Group, and subtracting all the account payables and accrued liabilities (other than the Sale Loan), as at the date of Completion.

If the Completion NAV is higher or lower than HK$596.0 million, the Consideration (and the Retention Amount) shall be adjusted upward or downward (subject to the maximum of the Retention Amount) accordingly and based on the product of (i) the Sale Shares Percentage; and (ii) the difference between the

Completion NAV and the value of the Property being fixed at HK$596.0 million, in each case, on a dollar for dollar basis. The Retention Amount (or part thereof) shall then be released to the Vendor or kept by the Purchaser (as the case may be). As at the Latest Practicable Date, the Sale Shares Percentage has been fixed at approximately 99.89% hence the Consideration shall be about HK$595.3 million (subject to adjustment on a cash-free debt-free basis). We have discussed with the Management that the Company will engage a certified public accoutant to review the Completion NAV if there is dispute on the determination of the Completion NAV.

The cash Consideration will be satisfied by borrowings and internal resources of the Company.

Basis of determination of the Consideration

The Consideration is determined after arm's length negotiations between the Purchaser and the Vendor with reference to:

(1) the preliminary property valuation of the Property of being no less than HK$596.0 million as at 31 July 2019;

(2) the consolidated current net asset value of the Target Group of approximately HK$270.2 million as at 31 July 2019; and

(3) the principal amount of the shareholder's loan of the Target Group in the principal amount of approximately HK$325.8 million.

The valuation of the Property is carried out by Knight Frank, an independent surveyor to the Company. The surveyor values the Property by market comparable method.

For terms related to the conditions precedent and Completion, please refer to paragraphs headed "Conditions precedent" and "Completion" under section headed "(1) Major and connected transaction — The Acquisition — The Sale and Purchase Agreement" in the Letter from the Board.

Analysis on the Consideration

We note that the Consideration for the Sale Shares and the Sale Loan of HK$594.8 million (subject to adjustment) is equivalent to approximately 99.80% of the appraised value of the Property of HK$596.0 million as at 31 July 2019. The Management advised that adjustment on the Consideration would have to be made to reflect the latest consolidated net asset value position in the Target at Completion, being the Completion NAV. If the Completion NAV is higher or lower than HK$596.0 million, the Consideration (and the Retention Amount) shall be adjusted upward or downward (subject to the maximum sum of an equivalent amount of the Retention Amount) accordingly and based on the product of (i) approximately 99.80% times (ii) the difference between the Completion NAV and the value of the Property being fixed at HK$596.0 million, in each case, on a dollar for dollar basis.

We are of the view that the above adjustment mechanism is fair and reasonable as (i) the downward adjustment could reduce the Consideration as a result of lower Completion NAV (which shall include the situation in which the Target Group incurs additional liabilities before Completion) than the market value of the Property of HK$596.0 million; and (ii) the adjusted upward maximum protects the Company from material deviation from the Consideration (which shall include the situation in which the Target Group has increased its cash before Completion) and hence the Company's cashflow requirement under the Acquisition after the adjustment mechanism. As the Company has the right to terminate the Sale and Purchase Agreement if the due diligence results are not satisfactory, the Management does not anticipate the necessary adjustment will be beyond the adjusted upward or downward maximum.

We note that the Board is aware of the Consideration being higher than the original acquisition cost of approximately HK$588 million incurred by the VPHK Group for acquiring the entire equity interest in, and the entire shareholder's loan due from, Realty Asset (including transaction fees and stamp duty paid)). Apart from the factors disclosed under the paragraph headed "Basis of determination of the Consideration" of Letter from the Board, when determining the Consideration, the Board has further considered that (i) the costs of capital financing the original acquisition cost of the Property incurred by the VPHK Group; and (ii) the original acquisition cost of the Property incurred by VPHK Group was determined after arm's length negotiations between VPHK and the then vendor. Moreover, we consider that the original acquisition cost of the Property should not be the sole determining factor for determination of the Consideration.

In assessing the fairness and reasonableness of the Consideration, we have conducted research on the website of the Stock Exchange for comparable transactions involving acquisition/disposal of hotel/ commercial apartments located in Hong Kong incurred in the recent 24-months period. We have identified an exhaustive and complete list of four comparable transactions and noticed that all of them had the considerations being equated to or higher than the net assets value of the target company (which has taken into account the latest appraised or market value of the property held by the relevant target company) ("**HK Comparable Transactions**"). The table below illustrates the details of the four transactions:

Date of announcement	Company (stock code)	Summary of the transaction	Consideration	Market value of the property/ net asset value of the target group	Price on gross floor area (per sq.m.)
16 July 2019	Hanison Construction Holdings Limited (896)	Disposal of the entire equity interests in a company holding land parcels in Sai Ying Pun, Hong Kong	HK$420 million	HK$420 million/ HK$180.5 million	HK$228,420
10 December 2018	Emperor International Holdings Limited (163)	Disposal of the entire equity interests in a company holding a hotel in Yau Ma Tei, Hong Kong	HK$1,100 million *Note 1*	HK420.3 million *Note 1*	HK$243,630
14 May 2018	Asia Cassava Resources Holdings Limited (841)	Acquisition of the entire equity interests in a company holding a commercial apartment in Sheung Wan, Hong Kong	HK$1,100 million	HK$1,100 million/ HK$193.4 million	HK$188,003
19 April 2018	Kai Yuan Holdings Limited (1215)	Disposal of the entire equity interest in a company holding a hotel in Sheung Wan, Hong Kong	HK$819.5 million *Note 2*	HK$511.6 million/ HK$466.6 million *Note 2*	HK$232,499

Notes:

1. The unaudited net asset value of the disposal company as at 30 September 2018 was approximately HK$420.4 million. The market value of the property was not disclosed publicly. The consideration recorded an unaudited gain of approximately HK$785.3 million from the disposal.

2. The unaudited net asset value of the target group as at 31 December 2017 was approximately HK$466.6 million, while the market value of the hotel property was approximately HK$511.6 million as at 31 March 2018. The consideration recorded an unaudited gain of approximately HK$336.7 million.

We note that the average price on gross floor area of the HK Comparable Transactions is approximately HK$223,137 per sq. m., which is slightly higher than the price on gross floor area of the Property at approximately HK$205,029 per sq. m. In the determination of our sample size, we reviewed our findings by every six months, and we had reviewed the samples for an aggregate of 24 months. As we are not aware of other comparable transactions located in Hong Kong having consideration not equated to or is lower than the net assets value of the target group, we consider that the current numbers of observation are sufficient. Given the

Property is located in a mature commercial and residential district and has a high plot ratio of 15 times for hotel development, as well as Hong Kong's property market has been one of the most expensive and most liquid in the world recently, it is fair and reasonable that there is no discount applying to the net asset value of the Target Company. These HK Comparable Transactions have sufficient similarities with the proposed Acquisitions, as all these comparable transactions involves transaction of target companies holding parcel(s) of land and (if any) buildings erected upon located in Hong Kong with their considerations taking reference to prevailing market conditions. We consider that these HK Comparable Transactions form a valid reference in determination of the consideration with reference to the net asset value of the target company as adjusted with the target property's market value. Taking into account that the Property is the principal asset of the Target Group, we consider that it is reasonable for the Consideration to be determined with reference to the latest appraised value of the Property and assuming the Target Group is on a cash-free and debt-free basis. Therefore, it is appropriate to focus our analysis on the valuations of the Property.

Valuation

The Company has appointed Knight Frank as the Independent Valuer to assess the market value of the Property held by the Target as at 31 July 2019. According to the Valuation Report, the market value of the Property in existing state as a development site was HK$596 million as at 31 July 2019. The full text of the Valuation Report is set out in Appendix VI to the Circular.

For our due diligence purpose, we have reviewed and discussed with the Independent Valuer (i) the methodology of, and basis and assumptions adopted; (ii) the steps and due diligence measures taken by the Independent Valuer; and (iii) details of the comparable transactions adopted for the valuation of the Property as set out in the Valuation Report in Appendix VI to the Circular. We also understand from the Independent Valuer that (i) the market approach is a commonly adopted approach for valuation of the subject land; and (ii) such approach is commonly used to value assets where reliable comparable transactions of a similar nature are available. The bases and assumptions adopted in arriving at the appraised value using market approach are subject to certain parameters, such as the title, location, ground condition and site area. In this regard, we have reviewed valuations for properties in similar transactions conducted by other listed companies on the Stock Exchange and the bases and assumptions adopted by other independent valuers, and note that the market approach is a commonly adopted valuation methodology in valuing development site where reliable comparable land transaction of a similar nature is available. We have also reviewed valuations for similar nature of properties conducted by other listed companies on the Stock Exchange and note that the market approach is a commonly adopted valuation methodology in valuing properties where reliable comparable transaction of a similar nature is available. On these grounds, we consider that the valuation methodology, bases and assumptions adopted in relation to the appraisal of the Property by the Independent Valuer are reasonable and in line with the market practice.

We note that the comparable transactions are adjusted where the Independent Valuer considered appropriate based on the differences in several aspects including location, transaction date, scale, view, age, facilities and accessibility between the comparable lands and the Property. It is also noted that the Property will be developed into a hotel development according to the Hotel Development Project (as defined below). As such, three comparable of hotel transactions which were transacted in the fourth quarter of 2018 to the third quarter of 2019 were identified. Set out below the details of the three comparable transactions:

Development	Butterfly on Victoria	Inn Hotel Hong Kong	One Eleven
District	North Point, Hong Kong	Yau Ma Tei, Hong Kong	Sai Ying Pun, Hong Kong
Address	33 King's Road	60 Portland Street	111 High Street
Opening year	2012	2015	1997
Gross floor area (approx.)	49,000 sq ft	49,000 sq ft	20,000 sq ft
No. of rooms	132	199	22
Transaction date	2018 Q4	2018 Q4	2019 Q3
Consideration (approx)	HK$800 million	HK$1,100 million	HK$420 million

We noted that two out of the three comparable transactions quoted by the Independent Valuer, namely "One Eleven" and "Inn Hotel Hong Kong" are identical to the first and second HK Comparable Transactions in our independent search as set out in our table on page 48 of this letter. It is noted that the price on gross floor area of these comparable transactions ranges from approximately HK$175,738 per sq. m. to approximately HK$241,640 per sq. m., while taken into account of the site value and development costs, the price on gross floor area of the Property will be around HK$205,029 per sq. m. which lies within the range of these comparable transactions. The Independent Valuer had taken into account various factors, inter alia the followings, when selecting the comparable transactions: (i) the comparable transactions were transacted within one year. The closer the transaction date with the valuation date, the less adjustments were made to reflect the market changes for the time difference between the valuation date and the transaction dates; (ii) the subject properties of the comparable transactions and the Property are located in urban area close to tourist and commercial districts in Hong Kong, including Central, Causeway Bay and Mong Kok. The transactions in other districts, which are farther from the tourist and commerical districts, were eliminated to avoid making substantial adjustments; (iii) the subject properties of the comparable transactions share similar accessibility level with the Property, as the Property is located in North Point of Hong Kong Island where public transportations such as MTR and franchised buses are available in close proximity; (iv) the permissible use of the subject properties of the comparable transactions were reviewed. The subject properties of the comparable transactions are zoned "Commercial/Residential" or "Commercial" or "Residential (Group A)" under the relevant zoning plans where hotel or serviced apartments use are permitted, which are the same to the Property; (v) the view of the subject properties of the comparables transactions should be similar to the Property (i.e. building view); and (vi) the expected star-rating of the hotel to be built on the Property should be similar to that of the subject properties of the comparable transactions (i.e. three to four-star hotel).

We have reviewed valuations of properties conducted by other listed companies on the Stock Exchange using market approach and we have discussed with the Independent Valuer regarding their comparable selection and understood that no property is exactly identical to the Property and the selection criteria and adjustments are crucial in valuation to obtain relevant comparables. We note that the Independent Valuer's selection criteria of the comparable transactions and the relevant adjustments made are usual when valuing property where reliable comparable property transaction of a similar nature is available. As such, we consider that the Independent Valuer's selection criteria of the comparable transactions and the relevant adjustments made are reasonable and in line with market practice.

Furthermore, we have enquired with the Independent Valuer in respect of its qualifications, expertise and independence. The Independent Valuer confirmed that except for (i) the engagements in relation to the valuation of the certain properties in the United Kingdom and the United State of America as mentioned in the circular of the Company dated 21 May 2019; and (ii) its engagement in respect of the valuation of the Property, it has no current or prior relationships with the Company and the Company's connected persons. Although the Independent Valuer has been previously engaged by the Company for property valuation, we are confirmed by both of the Company and Independent Valuer that neither of them is aware of any relationship which may render them not independent and we are not aware of any matters that would cause us to question the Independent Valuer's expertise and independence and are satisfied that the Independent Valuer is independent from the Company. We have reviewed the terms of engagement of the Independent Valuer, paying particular attention to the appropriateness of the scope of work. Based on our review, we are not aware of any limitations on the scope of work which might adversely impact on the degree of assurance given by the Valuation Report. We understand from the Independent Valuer that they have relied on certain information made available to them by the Company. We note that such representations made by the Company to the Independent Valuer are consistent with the information contained in the Circular. We also understand that Independent Valuer has physically inspected the Property on 20 August 2019 in Hong Kong. The Independent Valuer is not aware of any matters that would cause it to question the truthfulness or reasonableness of the information provided by the Company. As set out in the Valuation Report, in arriving at the market value of the Property, the Independent Valuer complied with (a) The Hong Kong Institute of Surveyors (the "**HKIS**") Valuation Standards 2017 published by the HKIS; and (b) "The Royal Institution of Chartered Surveyors ("**RICS**") Valuation — Global Standards 2017" issued by RICS.

Based on the above, we concur with the Independent Valuer's view that (i) the valuation methodologies adopted by the Independent Valuer are common and appropriate for determining the market value of the Property; and (ii) the bases and assumptions for the valuation of the Property are fair and reasonable, therefore, we did not cross-check the valuation of the Property using other methodologies. Nevertheless, the Independent Shareholders should note that valuation of the Property usually involves certain assumptions and therefore the appraised value of the Property of HK$596 million as at 31 July 2019 may not reflect the actual transaction value sold in the market.

In summary, having consider that (i) the Consideration was arrived after arm's length negotiations between the Purchaser and the Vendor; (ii) the final Consideration shall be adjusted based on the Completion NAV with adjusted upward or downward, which protects the Company from material deviation from Consideration; and (iii) the valuation methodology adopted by the Independent Valuer are common and appropriate for determining the market value of the Property and the bases and assumptions for the valuation of the Property are fair and reasonable.

We concur with the Directors' view that the basis of determining the Consideration is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Financial effects on the Enlarged Group

According to the Letter from the Board, upon Completion, the Target will become an indirect non-wholly owned subsidiary of the Company, and the financial results, assets and liabilities of the Target will be consolidated into the consolidated financial statements of the Company.

Net asset value

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix V to the Circular, assuming the Acquisition had been completed on 30 June 2019, the unaudited pro forma consolidated total assets and total liabilities of the Enlarged Group would be decreased to approximately HK$5,152.0 million and HK$1,444.5 million, respectively, and the unaudited net asset value of the Enlarged Group would be slightly deceased to approximately HK$3,707.4 million as a result of the fees and expenses to be incurred in relation to the Acquisition.

Gearing

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix V to the Circular, assuming the Acquisition had been completed on 30 June 2019, among others, the unaudited pro forma net gearing ratio of the Enlarged Group remained the same at approximately 31.4% (calculated based on the interest-bearing bank and other borrowings divided by total equity of the Enlarged Group).

Earnings

Based on the Accountants' Reports on the financial information of the Target Former Group and Realty Asset as set forth in Appendices II and III to the Circular, the profit after tax of the Target Former Group for the six months ended 30 June 2019 and of Realty Asset were nil and approximately HK$2.2 million, respectively. Since the Target Group is principally engaged in holding the Property which is yet to be developed, the Acquisition will not have any immediate impact on the earnings of the Group, assuming the Acquisition has been completed on 30 June 2019.

Cashflow

The Consideration of approximately HK$594.8 million (subject to adjustment) will be satisfied by borrowings and internal resources of the Company. Taking into account (i) the bank balance and cash of approximately HK$934.5 million as at 30 June 2019; and (ii) 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, we concur with the Directors that the Group has sufficient financial resources to satisfy the cash payment and will have sufficient working capital to meet its requirements for at least 12 months from the date of publication of this Circular.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Enlarged Group will be upon Completion.

B. AMENDMENT OF ANNUAL CAPS AND TERMS OF EXISTING CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 8 March 2019 and the circular of the Company dated 21 May 2019 in relation to, among others, the Management Services Framework Agreement.

In anticipation of (i) the Company's intention to develop its asset management business and strengthen its property development and investment business in Hong Kong through tapping into the expertise and experience of the HK Management Team; and (ii) the need of management of existing property interests for China Vanke Group in Hong Kong, the VPO Parties, the VPHK Parties and VPO HK have entered into the Supplemental Management Services Framework Agreement to extend the scope of services and revise the annual caps for the continuing connected transactions contemplated under the Management Services Framework Agreement, pursuant to which in addition to the Overseas Management Services, VPHK will retain VPO HK on an exclusive basis for, and the Enlarged Group, through VPO HK (who will enter into employment contracts with HK Management Team by the time of Completion), will provide, the HK Management Services to VPHK (including other subsidiaries of China Vanke which may become interested in any property development and/or investment projects in Hong Kong), subject to terms and conditions of the Supplemental Management Services Framework Agreement.

Supplemental Management Services Framework Agreement

The principal terms of the Supplemental Management Services Framework Agreement are set out below:

Date

29 August 2019 (after trading hours)

Parties

(1) VPO Parties;

(2) VPHK Parties; and

(3) VPO HK

Term

The term will commence on the Completion Date and will expire on 31 December 2021.

Services

Subject to the terms and conditions of the Supplemental Management Services Framework Agreement, the parties have agreed to extend the scope of services as contemplated under the Management Services Framework Agreement to include the HK Management Services such that in addition to the existing Overseas Management Services, VPHK will retain VPO HK on an exclusive basis for, and the Enlarged Group, through VPO HK (who will enter into employment contracts with HK Management Team by the time of Completion), will provide, the HK Management Services to VPHK (including other subsidiaries of China Vanke which may become interested in any property development and/or investment projects in Hong Kong). The HK Management Services shall include but not limited to the following services with respect to investment in Hong Kong real estate market:

(a) Market research and investment sourcing;

(b) Investment management and project management (including construction, development, sales and marketing management);

(c) Divestment of the relevant investment;

(d) Financing and cash flow management;

(e) Overall financial management;

(f) Legal and compliance management; and

(g) Company secretarial services.

Fees and basis of determination

For the HK Management Services, the fees payable by VPHK to VPO HK shall comprise of the management fee calculated at 1.25% per annum of the invested capital of the relevant project(s) in Hong Kong by VPHK and its subsidiaries. The invested capital shall include capital or debt financing provided by VPHK (but exclude capital or debt financing provided by third parties to VPHK for making the investments). On top of the aforementioned 1.25% fee, for project holding companies (which are subsidiaries of VPHK Group) with interests held by third parties (other than VPHK), an additional management fee shall be payable by such project company to VPO HK, which management fee is to be determined based on (i) the third party's interest in the relevant project; and (ii) the then prevailing market standard of the management fee charged for the relevant project.

For the HK Management Services, the fee rate charged to VPHK of 1.25% per annum is the total fees charged by the Enlarged Group for all the services which are to be provided to VPHK Group (including the services related to the operations at the project holding company level), and is determined with reference to the rate of management fees charged by real estate fund managers (who are Independent Third Parties) for providing similar services. The additional management fee (if applicable) to be charged against the project company which is subsidiary of VPHK with respect to the third party's interest in such project is determined based on the then prevailing market standard of the management fee charged for the relevant project by third party project manager, and this represents the management fee for a proportionate share of the project management services received by the third party through the project holding company. The parties agree that VPO HK shall provide the HK Management Services to VPHK (and/or other subsidiaries of China Vanke which are interested in property development and/or investment projects in Hong Kong) on normal commercial terms or on terms which are no less favourable to VPO HK than those that VPO HK may transact with Independent Third Parties from time to time. The management fees for each transaction under the Supplemental Management Services Framework Agreement will be paid on a quarterly basis, and shall be free of all taxes, deductions, duties, tariffs and charges.

Save as the said revision, the fees and basis of determination of the Overseas Management Services shall remain unchanged.

Revised Annual Caps of the Management Services and basis of determination

The Revised Annual Caps for the transactions under the Supplemental Management Services Framework Agreement are revised to approximately HK$105 million, HK$215 million and HK$215 million for each of the three years ending 31 December 2019, 2020 and 2021, respectively.

In arriving at the above Revised Annual Caps, the Directors have considered, among others, (i) the historical project and sales management cost incurred by VPHK Parties and its subsidiaries for its projects; (ii) the estimated fee payable by the VPHK Parties and its subsidiaries based on the expected committed/invested capital to be incurred by VPHK and its subsidiaries in the United Kingdom, the United States and Hong Kong for the three years ending 31 December 2019, 2020 and 2021; (iii) the estimated amount to be invested by third parties in project holding companies which are subsidiaries of VPHK and covered by HK Management Services; (iv) a buffer for additional capital to be invested for acquisition of new projects by VPHK Parties and its subsidiaries for each of the years 2019, 2020 and 2021; (v) the development stage of the project(s) to be managed under the Supplemental Management Services Framework Agreement; and (vi) the economic conditions and performance of the property market in the United Kingdom, the United States, and Hong Kong.

For terms related to the conditions precedent, please refer to paragraphs headed "Conditions precedent" under the section headed "II. Amendment of Annual Caps & Terms of Existing Continuing Connected Transactions" in the Letter from the Board.

Save as the aforementioned revision, all other terms of the Management Services Framework Agreement in relation to the Overseas Management Services shall remain unchanged. For details of the terms and conditions of the Management Services Framework Agreement, please refer to the announcement of the Company dated 8 March 2019 and the circular of the Company dated 21 May 2019.

To assess the fairness and reasonableness of the terms of the Supplemental Management Services Framework Agreement, we have considered the following key terms:

1. Management fee rate analysis

As advised by the Management, the HK Management Services shall offer similar scope of services as those under the Oversea Management Services, which include management of the property projects in Hong Kong, as well as provision of the down-to-earth project execution services, such as construction progress monitoring, construction costs analysis and control as well as sales and market activities management. The management fee for the Management Services shall cover employee salary, year-end bonus and operating cost of the abovementioned HK Management Services and Overseas Management Services. We were provided by the Management with, (i) the estimated cost for managing the existing projects in Hong Kong, the United Kingdom and United States by the HK Management Team and Overseas Management Team for the three years ending 31 December 2019, 2020 and

2021; (ii) the historical cost structure for managing the relevant projects managed by China Vanke itself for the three years ended 31 December 2016, 2017 and 2018; and (iii) the historical cost of retaining the HK Management Team and the Overseas Management team. It is noted that the relevant cost for the down-to-earth project execution services were included in the historical cost structure. It is also noted that the estimated cost for managing the existing projects in Hong Kong, the United Kingdom and the United States of America by the HK Management Team and Overseas Management Team apply a similar cost structure as compared to the historical cost, while the estimated management costs for the Management Services is slightly higher than that of the historical cost, which has taken into account the expected inflation rate of salary operation expenses and additional headcount for the HK Management Team and Overseas Management Team in determining the estimated costs for the three years ending 31 December 2019, 2020 and 2021.

Furthermore, as advised by the Management, the margin on top of the aforesaid estimated cost is adopted taking into account (i) a reasonable profit to the Enlarged Group on the basis that the fee shall be on normal commercial terms or on terms which are no less favourable than those provided to independent third parties for similar services; and (ii) any unexpected increase in the operating cost of the HK Management Team and Overseas Management Team (which may outpace the increase in the invested capital of the projects to be incurred in Hong Kong, the United Kingdom and the United States in the future); and (iii) the proposed expansion of property portfolio by VPHK Group, which will increase the expected invested capital of VPHK Group and hence the management fees payable to the Group.

We were given to understand that when determining the management fee rate, the Management has made reference to the statistic of management fee rates charged by the 160 opportunistic real estate funds (the "**Fund Comparables**") globally surveyed by an independent financial data company with headquarter in United Kingdom. It is noted that the fund size ranges from less than USD50 million to more than USD2,000 million. We note that the management fee rates charged among those real estate funds range from 0.5% to 2.5% per annum based on invested/committed capital, which the management fee rate falls within the range thereof. Shareholders should note that such management fee rate charged by the real estate funds may not be able to represent a direct comparison to the Company due to the difference in assets size, scope of services offered, financial performance, investment objectives and portfolio, operation and prospects of the investment companies.

We have also conducted a research on the website of the Stock Exchange on a best effort basis with respect to the continuing connected transaction in relation to the provision of asset/investment management services as announced on the Stock Exchange's website during the period covered, from 29 August 2017 to 29 August 2019 (being 24 months prior to the date of the Management Services Framework Agreement and up to the date of the Supplemental Management Services Framework Agreement), by other companies which (a) are listed on the Stock Exchange; and (b) are either the asset/investment management services receiver or provider. In selection of our comparable transactions, we review our observations for each and every six-months period, starting from the most recent period, and depending on the results of selection, we will continue such process for the next six-month period until and unless sufficient comparable transactions are located. For this analysis, we have reviewed the samples for the past 36 months, but the samples covered in the most remote 12 months does not provide any meaningful comparable transactions, and therefore we consider the current sample size for the past 24 months is sufficient. Based on our research and as far as we are aware of, we have identified an exhaustive and complete list of 14 companies (excluding the Company). Shareholders should note that such companies may not be able to represent a direct comparison to the Company due to the difference in assets size, scope of services offered, financial performance, investment objectives and portfolio, operation and prospects of the investment companies. Out of the abovementioned 14 companies, there are:

(i) four companies that only have a fixed management fee with no performance fee;

(ii) one company that have a management fee charged at a certain percentage of the net asset value, with a performance fee;

(iii) five companies that have a management fee charged at a certain percentage of the net asset value and a performance fee, which is subject to high watermark mechanism; and

(iv) four companies that have a management fee charged at a certain percentage of the invested capital or capital commitments and no performance fee.

In view of the above, it appears that there are different kind of structures and criteria taken into account when determining the fee package charged by the asset/ investment management services of the abovementioned 14 companies; and each asset/investment company may have its unique structure of remuneration package to serve its own purpose.

Considering the above, we have excluded the followings in our analysis: (a) the four companies described in (i) above which only have fixed lump sum of management fee without taking into account of the size of assets under management; and (b) the six companies described in (ii) and (iii) above which charged the management fee and/or incentive fee based on a certain fixed percentage of the net asset value to reflect the appreciation of the value of assets under management. Charging a fixed performance fee without taking into account the size of invested capital under management does not duly reflect the level of complexity of work for a real estate asset manager and such fee basis usually applies for securities investment manager as the securities value can better be reflected in the open securities market with the transparency of the trading price. Further, such an approach will usually lead to disagreement between the investors and the real estate manager as the fair market value of the underlying assets are harder to be duly reflected. It is noted that the excluded 10 Companies as described in (i), (ii) and (iii) above do not involve real estate asset/investment management services. Hence, we have identified an exhaustive and complete list of four companies as comparable which have a management fee charged at a certain percentage of invested capital or committed capital with no performance fee, which is similar to that of the Group (the "**Fee Comparables**"), and consider that such Fee Comparables are fair and reasonable with respect to the nature of business and services to be provided by the Group. The table below illustrates the details of the Fee Comparables transactions:

Date of announcement	**Company (stock code)**	**Investment target segment**	**Invested capital (approximately)**	**Management fee basis**
20 September 2017	China Oceanwide International Financial Limited (952)	Securities	USD100 million	2% of aggregate capital commitments for the first one-year period and 1.5% of aggregate capital commitments thereafter
30 November 2017	Hong Kong International Construction Investment Management Group Co., Limited (687)	Property	HK$3,821 million	1% per annum of the aggregate capital commitments of each calendar year
4 June 2018	Glorious Sun Enterprises Limited (393)	Securities	HK$1,000 million	1% of the invested amount
26 April 2019	Luzheng Futures Company Limited (1461)	Futures	RMB50 million to RMB200 million	1.5% per annum on average of the invested amounts
			Maximum	2%
			Minimum	1%
			Mean	1.3%

According to table above, we note that the pricing approach of charging a fixed percentage of the invested capital is used in real estate asset/investment management services agreements. Based on the above analysis, we are of the view that it is fair and reasonable to (i) set the management fee structure of the Group with reference to invested capital, and (ii) charge a management fee at a certain percentage of the invested capital or capital commitments without performance fee, as in essence, being the same basis as that adopted by the four Fee Comparables. Although the four Fee Comparables are engaged in different investment sectors, we notice that they also involve management works similar to that of the Management Services such as (i) identification and sourcing investment opportunities; and (ii) monitoring and realisation of investments. Based on our review of the Fee Comparables, we note that the Fee Comparables charge a management fee rate ranging from 1% to 2% per annum based on their respective invested capital or capital commitments, and note that the management fee rate falls within the range and is slightly below of the mean of 1.3% of those Fee Comparables. The Directors are of the view and we concur that real estate asset/investment management services normally involves managing a larger invested capital as compared to other asset classes such as securities and futures and the investment period the real estate is usually longer than securities and futures, therefore it is common that the management fee's percentage of the committed/invested capital to be slightly lower than other asset classes. We have reviewed two asset management agreements entered into between the Group and China Vanke Group with other real estate fund managers, and note that the management fee of 1.25% per annum is also determined with reference to the rate of management fees charged by other real estate fund managers to the Group and China Vanke Group and vice versa for providing similar services, as such, we are of the view that management fee charged by the Fee Comparable shall not be the only factor when considering the rate of management fee. For example, it is noted that one company out of the four Fee Comparables, namely Hong Kong International Construction Investment Management Group Co., Limited, is engaging in provision of asset management services for the property sector (the "**Property Fee Comparable**"). We note that the Property Fee Comparable charges the management fee rate of 1% per annum based on its committed capital, and note that the management fee rate charged by the Enlarged Group is slightly above the management fee rate of 1% per annum charged by the Property Fee Comparable, which is in the interests of the Company and the Shareholders as a whole.

2. Additional management fee analysis

The additional management fee to be charged against the project company which is subsidiary of VPHK holding project in Hong Kong with respect to the third party's interest in such project is determined based on the then prevailing market standard of the management fee charged for the relevant project by third party project manager, and this represents a proportionate share of the project management services received by the third party through the project holding company.

As advised by the Management, the additional management fee comprises the project management fee and sales and marketing fee for the projects invested by VPHK and its subsidiaries. The project management fee is based on a fixed percentage of the total construction costs and the sales and marketing fee is based on a fixed percentage of the sale proceeds or rental proceeds (as the case may be) generated from the Property Development Project, which are common term in project management agreements.

We have reviewed two property management agreements entered into between VPHK or its subsidiaries and independent third parties in relation to the project management services of equivalent or similar scale provided by the external parties or VPHK in Hong Kong and noted that the project manager (usually the leading developer in the consortium formed for holding the development project concerned) shall be entitled to receive from the project company a project management fee equivalent to 1.5% to 2% of construction costs, and a further 1% of sale proceeds generated from such property development project as sales and marketing fee stipulated in the two project management agreements. As such, we consider that the additional management fee terms under the Supplemental Management Services

Framework Agreement (which states that such fees will be charged based on the prevailing market terms) are fair and reasonable and in the interests of the shareholders as a whole.

The parties agree that the VPO Parties shall provide the Management Services to the VPHK Parties on normal commercial terms or on terms which are no less favourable to the VPO Parties than VPO Parties may transact with Independent Third Parties from time to time. As advised by the Management, the entering into the Supplemental Management Services Framework Agreement was to ensure fairness and reasonableness of the fee charging of the Management Services offered to VPHK's subsidiaries, the management fee and contractual terms for each individual management services agreement shall be, from the Group's perspective, on normal commercial terms or on terms no less favourable than the rates charged and terms for equivalent or similar services provided by the Group to Independent Third Parties in similar services. As advised by the Management, prior to entering into the Supplemental Management Services Framework Agreement, the Group did not enter into any similar asset management services arrangements with VPHK, nor with any external third parties since 2012 (save for the Management Services Framework Agreement). In order to safeguard the interests of the Company and the Shareholders as a whole, the Group has adopted certain measures in monitoring the transactions under the Supplemental Management Services Framework Agreement, and we note that (i) any individual management services agreement should be reviewed by an executive Director and relevant legal and/or compliance personnel to ensure the terms and the management fee are in accordance with the Supplemental Management Services Framework Agreement and that the revised annual caps will not be exceeded; (ii) the Company has designated certain members of the management to closely monitor and will periodically review the subsisting agreements and pricing terms (at least once every quarter) to ensure that the transactions contemplated under the Supplemental Management Services Framework Agreement will be conducted on normal commercial terms or on terms which are no less favourable to VPO Parties than those that VPO Parties may transact with Independent Third Parties in similar services; (iii) the independent non-executive Directors will conduct annual review and confirm whether the transactions contemplated under the Supplemental Management Services Framework Agreement are entered into in the ordinary course of business of the Group, on normal commercial terms or better and according to the Supplemental Management Services Framework Agreement on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole and ensure the Group has complied with the Listing Rules; and (iv) the Company will engage its auditors to report on the Continuing Connected Transactions every year, the details of the internal control measures are set out in the sub-section headed "Internal control measures" in the Letter from the Board. The above-mentioned measures will also help the Group to monitor its pricing policy to VPHK's subsidiaries and independent third parties.

In light of the above, and in particular considering (i) the fee arrangements adopted by the Fee Comparables vary with different structures; (ii) the management fee rate falls within the range of management fees charged by the Fund Comparables and the Fee Comparables; (iii) the additional management fee to be charged for services provided to third party investors in Hong Kong property projects; and (iv) the principal terms of the Supplemental Management Services Framework Agreement shall be on normal commercial terms or on terms which are no less favourable than the terms offered by the Group to any Independent Third Parties, we are of the view that the basis of the management fee rate under the Supplemental Management Services Framework Agreement is commercially justifiable and the terms of the Supplemental Management Services Framework Agreement are on normal commercial terms and are fair and reasonable as far as the Company and the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

3. *Revised Annual Caps*

Set out below are the Revised Annual Caps under the Supplemental Management Services Framework Agreement for each of the three years ending 31 December 2019, 2020 and 2021, respectively.

	For the year ending 31 December		
	2019	**2020**	**2021**
	HK$'million	*HK$'million*	*HK$'million*
Original annual caps under the Management Services Framework Agreement	75	165	185
Revised Annual Caps under the Supplemental Management Services Framework Agreement	105	215	215

The Revised Annual Caps for the transactions under the Supplemental Management Services Framework Agreement are equivalent to approximately HK$105 million, HK$215 million and HK$215 million for the three years ending 31 December 2019, 2020 and 2021, respectively. We have reviewed the relevant calculations and understand from the Management that the Revised Annual Caps are based on (i) the historical and estimated management cost incurred by VPHK and its subsidiaries for its projects; (ii) the estimated management fee payable by VPHK and its subsidiaries based on the expected committed/invested capital to be incurred by VPHK and its subsidiaries in Hong Kong, the United Kingdom and the United States for the three years ending 31 December 2019, 2020 and 2021; (iii) the estimated amount to be invested by third parties in project holding companies which are subsidiaries of VPHK; (iv) a buffer for additional capital to be invested for acquisition of new projects by VPHK and its subsidiaries for each of the years 2019, 2020 and 2021; (v) the development stage of the project(s) to be managed under the Supplemental Management Services Framework Agreement; and (vi) the economic conditions and performance of the property market in Hong Kong, the United Kingdom and the United States of America.

In order to assess the fairness and reasonableness of the Revised Annual Caps, in particular, the annual caps for the management fee charged under the Management Services for the three years ending 31 December 2019, 2020 and 2021, we have taken into account the following factors:

(i) Estimated management fee and additional management fee payable by VPHK and its subsidiaries

In this regard, we have reviewed the list of properties projects in Hong Kong, the United Kingdom and the United States of America to be managed under the Supplemental Management Services Framework Agreement and note that the total invested capital of those projects in Hong Kong, the United Kingdom and the United States of America is about HK$16.6 billion (excluding the Property to be injected to the Group through the Acquisition). As advised by the Management, the estimated management fee is also based on the expected investment amount to be invested in property projects in Hong Kong, the United Kingdom and the United States of America for the three years ending 31 December 2019, 2020 and 2021. We have reviewed the property projects investment plan in Hong Kong, the United Kingdom and the United States by VPHK for the three years ending 31 December 2019, 2020 and 2021 and note that the expected investment amount will be approximately HK$2,700 million, HK$3,200 million and HK$2,100 million for the three years ending 31 December 2019, 2020 and 2021 respectively, representing around HK$2,500 million per year, on average. Taking into account the total historical invested amount in Hong Kong, the United Kingdom and the United States of America by VPHK for the three years ended 31 December 2018 of approximately HK$2,000 million, on average (the "**Historical Invested Capital Average**"), as reference, we note that the expected investment amount for the three years ending 31 December 2019, 2020 and 2021 is similar to the level of the Historical Invested Capital Average.

We have also reviewed the estimated additional management fee, which is based on the estimated construction costs and sales proceeds of the property projects to be invested in Hong Kong according to the abovementioned property projects investment plan by VPHK for the three years ending 31 December 2019, 2020 and 2021, respectively. Further, we were given to understand the proposed plan for syndication of certain interests of Hong Kong projects to third parties. As such, we are advised by the Company that it is expected to receive additional management fees of about HK$0.5 million, HK$5 million and HK$10 million for each of the three years ending 31 December 2019, 2020 and 2021 respectively.

We note that the estimated construction costs was similar to actual construction costs in the historical property projects in Hong Kong managed by VPHK for the three years ended 31 December 2018, and estimated construction costs under the additional management fee for the three years ending 31 December 2019, 2020 and 2021 will gradually increase from the cost in the past, mainly due to inflation of labour and materials as well as increase in the number of projects (in which third party will obtain certain interest to be managed by the Group in Hong Kong.

Based on our discussion with the Management, we were given to understand that the expected property projects investment plan in Hong Kong, the United Kingdom and the United States of America by VPHK for the three years ending 31 December 2019, 2020 and 2021 is determined with consideration of, (i) the development status and progress of the existing projects in hand, which are expected to be completed in the three years ending 31 December 2019, 2020 and 2021; and (ii) the VPHK's current strategy in Hong Kong, the United Kingdom and the United States of America. Based on the above, we consider the estimated management fee and additional management fee based on existing projects in Hong Kong, the United Kingdom and the United States of America and the estimated invested amounts or estimated construction costs (as the case may be) under the property projects investment plan of VPHK in Hong Kong, the United Kingdom and the United States of America for the three years ending 31 December 2019, 2020 and 2021 applied to the Revised Annual Caps calculations to be reasonable.

(ii) Estimated buffer

As advised by the Management, they have included a buffer of around 20% for the year ending 31 December 2019 and just below 10% for the years ending 31 December 2020 and 2021 on top of the aforementioned total estimated management fee and additional management fee per year for the three years ending 31 December 2019, 2020 and 2021 which was determined mainly with reference to the proposed plan for expansion of property portfolio by VPHK Group. It is noted that the buffer allows for contingency situations where the management fee and additional management fee may increase, such as (a) change in economic conditions and performance of the property market in Hong Kong, the United Kingdom and the United States of America; (b) change in the construction costs for development of property projects and sales proceeds from projects in Hong Kong, the United Kingdom and the United States of America; (c) change in VPHK's investment strategy in Hong Kong, the United Kingdom and the United States of America; and (d) increase of staff salary due to inflation. We were advised that the Group and VPHK have to keep adjustments to their business strategy in a timely manner in order to cope with the possible unanticipated property investment opportunities which may require substantial increase in the provision of the asset management services. For this reason, we consider that it is acceptable for the Group to maintain a buffer at a reasonable level in the Revised Annual Caps for the three years ending 31 December 2019, 2020 and 2021 for the Management Services based on the capacity of provision of the HK Management Services and the possible unanticipated increase in the investment amounts of the property investment projects in Hong Kong, the United Kingdom and the United States of America. We consider the buffer to be reasonable and commercially justifiable.

Having studied (i) the detailed breakdown of the calculations for the management fee in respect of the Management Services provided by the Group, illustrating the estimated management fee; (ii) the detailed estimations and calculation for the additional management fee in respect of the Management Services provided by the Group, illustrating the estimated additional management fee; and (iii) the basis of determination of the Revised Annual Caps for the fees payable by VPHK to the Group, we consider that the Revised Annual Caps in respect of the provision of the Management Services to be provided by the Company are fair and reasonable so far as the Independent Shareholders are concerned.

Notwithstanding the above, it should be noted that the Revised Annual Caps do not represent the amounts that will actually be paid to the Company. The actual management fee and additional management fee payable to the Company for the three years ending 31 December 2019, 2020 and 2021 shall be determined based on the terms of the Supplemental Management Services Framework Agreement. Accordingly, the management fee and additional management fee payable for the three years ending 31 December 2019, 2020 and 2021 may not correspond to the Revised Annual Caps. Further, in the event that fees payable to the Company during the three years ending 31 December 2019, 2020 and 2021, calculated pursuant to the terms of the Supplemental Management Services Framework Agreement, exceed the Revised Annual Caps, the Group will have to comply with the relevant provisions under Chapter 14A of the Listing Rules, including without limitation making further announcement and obtaining further approval from the Independent Shareholders at that point in time before making the payments.

C. REASONS AND BENEFITS OF THE ACQUISITION AND THE AMENDMENT OF ANNUAL CAPS AND TERMS OF EXISTING CONTINUING CONNECTED TRANSACTIONS

As disclosed in the 2019 Interim Report, the Group's properties portfolio in Hong Kong comprises the industrial/office building of Regent Centre and the residential property development project of The Pavilia Bay in Hong Kong. Following the completion of the Overseas Acquisitions for equity interests or investment instrument (as the case may be) in certain properties in London, United Kingdom, San Francisco, United States and New York, United States respectively, the Group is ambitious to further expand and develop its asset management and strengthen its property development and investment business. In addition, the Group has enhanced its asset management capabilities in the United Kingdom and the United States by recruiting the former employees of China Vanke Group and is currently providing asset management services in such places to China Vanke Group. Details of the above transactions and projects are disclosed in the circular of the Company dated 21 May 2019. According to the Letter from the Board, the Board considers that the Acquisition offers a good opportunity for the Group to broaden its portfolio in the property market in Hong Kong, especially when over 99% of the units in the Pavilia Bay has been sold out.

The Property is in North Point of the Eastern District of Hong Kong, a district with infrastructures suited for residential and commercial use. In addition to the proximity of the Property to commercial districts on Hong Kong Island, including central business district (CBD) with many Grade A offices and commercial buildings, their linkage is enhanced by the development of different infrastructure. For instance, the Central-Wan Chai Bypass Tunnel has commissioned in February 2019, where the Property is located within a close proximity of North Point Tunnel Portal of Central-Wan Chai Bypass Tunnel and each journey only takes approximately 5 minutes to complete (please refer to the following: http://www.cwb-hyd.hk/en/highlight_head.php). Meanwhile, Island Eastern Corridor Link is currently in the construction for the modification works of the section of Island Eastern Corridor, which will enhance the connection to the Central-Wan Chai Bypass Tunnel (please refer to the following: http://www.cwbaecom.com/iecl/). With well-connected infrastructures, the business and social environment between the Hotel Development Project and CBD and elsewhere in Hong Kong are expected to be highly integrated. The prime location of the Hotel Development Project allowed the Group to utilise its investment experience in various property development projects comprising residential and commercial properties in Hong Kong and other regions.

Despite of the recent social incident in Hong Kong, the Board considers that the Hotel Development Project will be completed and in operation since the fourth quarter of 2023, in which the recent uncertainties on Hong Kong economy shall not have a material impact on this project and the return on investment on the hotel with longer period licenses will be less volatile in the medium to long-term.

We have reviewed the Land Sale Programme for Sale of Government Land by Tender for the period April 2019 to March 2020 (updated on 28 June 2019) according to the Lands Department of Hong Kong (please refer to the following: https://www.landsd.gov.hk/en/landsale/coming.htm), and did not notice any vacant lands in the same vicinity with similar location for hotel development. We have further reviewed records of Land Sale Result for 2017/2018, 2018/2019 and 2019/2020 (up to July 2019) in the Lands Department of Hong Kong (please refer to the following: https://www.landsd.gov.hk/en/landsale/records.htm) (the "**Land Sale Records**") and found that lands with similar location are limited. Moreover, after taking into account the total site area, no comparable lands could be identified in similar size of the Property. As noted in the Land Sale Records, the land sale price per sq. m. ranged from HK$1,036,885.3 per sq. m. to HK$1,291,797.9 per sq. m. during 2017/2018, 2018/2019 and 2019/2020 (up to July 2019), which is around 21.2% lower than the land sale price per sq. m. of HK$1,478,174.6 per sq. m. of the Property. However, given the lands recently sold by the Hong Kong government are mainly located in the New Territories and Kowloon, it does not serve as a useful indicator of the value of the Property. Hence, the Management believes and we concur that there exists development potential in view of the physical location of the Property.

Although the Acquisition will be the first attempt of the Group to invest in property for a hotel development project in Hong Kong, the Management considers that the HK Management Team will provide assurance to the execution of the hotel development project in future and enable the Group to further broaden the types of property development projects, income stream and geographical presence of the Group. The Management's strategy is to utilise its ultimate controlling shareholder's resources to further expand their business. Since it is more cost effective and efficient to takeover a developed team than training up a new team in Hong

Kong, the Management believes that the Group can utilise the resources of the ultimate controlling shareholder of the Company and facilitate the penetration in the property investment and property development market in Hong Kong.

As advised by the Management, the Group will benefit from the entering into of the Supplemental Management Services Framework Agreement such that (i) the HK Management Services in Hong Kong will form part of the principal businesses of the Enlarged Group, and the Supplemental Management Services Framework Agreement could provide an effective framework to regulate the provision and receipt of service between the VPO HK and the respective VPHK's subsidiaries and ensure a fair and reasonable basis for the parties to determine the management fee without lengthy negotiations and incurring substantial time and costs for different projects London, San Francisco, New York and Hong Kong in the future; and (ii) it is advantageous to leverage on the HK Management Team's qualification and experience in developing and managing the existing property projects portfolio of VPHK Parties in Hong Kong and to ensure a smooth transition for the operation of the Target Group. The HK Management Team will help strengthen the capabilities of the Enlarged Group in its property development, investment and management business in Hong Kong which in turn is expected to improve management efficiency and attract new projects so as to facilitate future expansion of the Enlarged Group to provide assets management services to third parties.

According to the Letter from the Board, the Consideration is approximately HK$594.8 million, which is intended to be funded by borrowings and internal resources of the Company. It is noted that the Company may utilise over 60% of the current bank balance and cash to settle the Consideration which may have considerable impact on the Company's cash position. However, according to the 2019 Interim Report, it is noted that (i) the Groups' bank balance and cash of approximately HK$934.5 million as at 30 June 2019; and (ii) 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. Therefore, we consider the Group should still have sufficient working capital upon Completion.

Having considered, in particular, (i) the reasons and benefits of the Acquisition and the continuing connected transactions contemplated under the Supplemental Management Services Framework Agreement as above; (ii) the Consideration is equivalent to approximately 99.9% of the appraised value of the Property of HK$596.0 million as at 31 July 2019; and (iii) as discussed above, no material adverse effect on the financial position and profitability of the Group being expected immediately upon Completion and the Group would have sufficient working capital upon Completion. We are of the view that the Acquisition is a sensible and efficient use of resources in the long run and the entering of the Supplemental Management Services Framework Agreement is in interest of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that (i) the Acquisition contemplated under the Sale and Purchase Agreement, the Supplemental Management Services Framework Agreement and the Revised Annual Caps are in the ordinary and usual course of business of the Company; and (ii) the terms of the Sale and Purchase

Agreement, the Supplemental Management Services Framework Agreement and the Revised Annual Caps are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution(s) to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, and the Supplemental Management Services Framework Agreement and the transaction contemplated thereunder and the Revised Annual Caps at the EGM.

Yours faithfully,
For and on behalf of
SUCCESS NEW SPRING CAPITAL LIMITED
Paul Lui
Managing Director

Note: Mr. Paul Lui is licensed person registered with the SFC to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and has over 20 years of experience in corporate finance industry.

I. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three financial years ended 31 December 2016, 2017 and 2018 and financial information of the Group for the six months ended 30 June 2019 were set out in the relevant annual reports and interim report of the Company posted on the Stock Exchange's website (http://www.hkexnews.hk) and the Company's website (http://www.vankeoverseas.com.). Please also see below quick links to the relevant annual reports:

The consolidated financial statements of the Group for the year ended 31 December 2016 (pages 43–83)
(https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0331/ltn20170331681.pdf)

The consolidated financial statements of the Group for the year ended 31 December 2017 (pages 43–83)
(https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0413/ltn20180413395.pdf)

The consolidated financial statements of the Group for the year ended 31 December 2018 (pages 44–88)
(https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0426/ltn201904262487.pdf)

The consolidated interim financial information of the Group for the six months ended 30 June 2019 (pages 9–27)
(https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0910/ltn20190910003.pdf)

Each of the said consolidated financial statements of the Group is incorporated by reference to this circular and forms part of this circular.

Set out below is a discussion and analysis of the performance of the Group for each of the three financial years ended 31 December 2018 and for the six months ended 30 June 2019 immediately preceding the issue of this circular.

Year ended 31 December 2016

The Group's revenue is derived from the leasing of units and car parking spaces in Regent Centre. Revenue for the year was HK$91.2 million (2015: HK$89.1 million), representing an increase of 2%. The increase was mainly due to an increase in passing rent for the units in Regent Centre during the year.

The Group's investment in Regent Centre was fair valued at HK$1,700.8 million as at 31 December 2016 (31 December 2015: HK$1,619.9 million), representing an increase of 5%. There has been no change in the valuation methodology of the Group's investment properties, including the capitalisation rate. The higher valuation resulted in a fair value gain of HK$80.9 million for the year (2015: HK$125.7 million).

Excluding the change in fair value of Regent Centre, the Group's underlying profit for the year was HK$50.4 million (2015: HK$36.0 million), representing an increase of 40%. The increase was mainly due to savings in finance costs and an increase in compensation received from tenants for early lease termination.

Year ended 31 December 2017

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.

Year ended 31 December 2018

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.

Six months ended 30 June 2019

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 "**Very Substantial 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 Very Substantial 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 VPHK Parties (including 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 Very Substantial Acquisitions are expected to generate revenue and profit for the Group in the second half of 2019.

II. STATEMENT OF INDEBTEDNESS

As at 31 August 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding indebtedness of approximately HK$1,162.9 million, consisting of (i) secured bank loan of approximately HK$713.6 million; (ii) lease liabilities of approximately HK$58.1 million; and (iii) unsecured and unguaranteed loan from an intermediate holding company of approximately HK$391.2 million.

The secured bank loan was secured by all assets including but not limited to the Ryder Court property in London, the rental income accounts as well as investments, intellectual property, plant and machinery, receivables and contract of insurances held by Lithium Real Estate (Jersey) Limited, an indirect subsidiary of the Company. The bank loan will mature in January 2022 and is denominated in the British Pounds. It bears interest at London Interbank Offered Rate plus an interest margin per annum. and no repayment guarantee is provided for the bank loan.

Save as disclosed above and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have, as at 31 August 2019, any mortgages, charges, debt securities issued and outstanding, and authorised or otherwise created but unissued, outstanding borrowings or indebtedness in the nature of borrowings including term loans, bank overdrafts, liabilities under acceptances, acceptance credits, hire purchase commitments or other similar indebtedness, or any guarantees or other material contingent liabilities.

III. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into consideration the financial resources available to the Enlarged Group including internally generated funds, the Enlarged Group will have sufficient working capital for its requirements for at least 12 months from the date of publication of this circular.

IV. FINANCIAL AND TRADING PROSPECTS

As mentioned in the Company's 2019 interim report, the Group would continue to seek opportunities in both Hong Kong and overseas property markets for business diversification and expansion. The Acquisition represents a good opportunity for the Enlarged Group to broaden its portfolio in the property market in Hong Kong, especially that over 99% of the units in the Pavilia Bay have been sold out. The Supplemental Management Services Framework Agreement also represents a good opportunity for the Enlarged Group to develop its asset management business in Hong Kong, the United Kingdom and the United States of America and strengthen its property development and investment business in Hong Kong through tapping into the expertise and experience of the HK Management Team which are invaluable benefits to support the development and expansion of the Enlarged Group in the long run.

While 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 Brexit event and the recent negative economic sentiment in Hong Kong, the Directors believe that the Acquisition will lay a good foundation for the Enlarged Group to continue its presence and strengthen its property development and investment business in Hong Kong. Combined with the steady income stream generated by Regent Centre in Hong Kong, the Ryder Court in London and the investment instrument for Park Row project in New York, the Enlarged Group is well positioned against uncertainties in the economy. Going forward, the Enlarged Group will closely monitor its business of property investment, property development and financing, property leasing and asset management business and at the same time continue to seek for other property investment opportunities in Hong Kong and the overseas property markets with an aim to adhering to the abovementioned strategy and maximising the returns to the Shareholders.

V. ACQUISITIONS AFTER THE DATE OF THE LATEST PUBLISHED AUDITED ACCOUNTS

After 31 December 2018, being the date to which the latest published audited accounts of the Company have been made up, the Group entered into the following agreements to acquire interests in share capital of companies which are expected to make a material contribution to the figures in the next published accounts of the Group:

(a) the agreement dated 7 March 2019 entered into between Vanke UK Investment Company Limited and VPHK in respect of acquisition of Lithium TopCo Limited, an investment holding company which indirectly holds the entire interest in the Ryder Court property;

(b) the agreement dated 7 March 2019 entered into between Vanke US Investment Company Limited and VPHK in respect of acquisition of 657–667 Mission Street Venture LLC, an investment holding company which indirectly holds 45% of the effective interest in the Mission property; and

(c) the agreement dated 7 March 2019 entered into between Vanke US Investment Company Limited and Chogori Investment (Hong Kong) Limited in respect of the acquisition of Supreme J Limited, an investment holding company which participates in 49% of the investment instruments for funding the development of the Park Row property.

The aggregate value of the consideration for the aforementioned acquisitions was approximately HK$1,086.5 million and were funded by internal resources of the Company in cash.

For further details of the aforementioned transactions, please refer to the announcements of the Company dated 8 March 2019 and 1 July 2019 and the circular of the Company dated 21 May 2019.

Financial information for each of the three financial years ended 31 December 2016, 2017 and 2018 of the aforementioned companies which were acquired after the date of the last published audited account of the Group were set out in the circular of the Company posted on the Stock Exchange's website (http://www.hkexnews.hk) and the Company's website (http://www.vankeoverseas.com.). Please also see below quick links to the relevant circular:

https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0521/ltn20190521011.pdf

There has been no variation to the remuneration payable to and benefits in kind receivable by the directors of the acquiring company in consequence of the said acquisitions.

The following is the text of a report received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF VANKE PROPERTY (OVERSEAS) LIMITED

Introduction

We report on the historical financial information of V-Win Achieve Limited (the "**Target**") and its subsidiary, Astaria Garden Limited, (together, the "**Target Former Group**") set out on pages II-4 to II-16, which comprises the consolidated statements of financial position as at 31 December 2016, 2017 and 2018 and 30 June 2019 and the consolidated statements of comprehensive income and the consolidated statements of changes in equity for the period from 6 May 2016 (date of incorporation) to 31 December 2016, the years ended 31 December 2017 and 2018, and the six months ended 30 June 2019 (the "**Relevant Periods**"), and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-4 to II-16 forms an integral part of this report, which has been prepared for inclusion in the circular of Vanke Property (Overseas) Limited (the "**Company**") dated 30 September 2019 (the "**Circular**") in connection with the proposed acquisition of the Target by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

The Underlying Financial Statements of Target Former Group as defined on page II-4, on which the Historical Financial Information is based, were prepared by the directors of the Target. The directors of the Target are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and for such internal control as the directors of the Target determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Target Former Group's financial position as at 31 December 2016, 2017 and 2018 and 30 June 2019 and of its financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Target Former Group which comprises the consolidated statement of comprehensive income and the consolidated statement of changes in equity for the six months ended 30 June 2018 and other explanatory information (the "**Stub Period Corresponding Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review 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. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial

Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 September 2019

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Target Former Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG under separate terms of engagement with the Target in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Expressed in Hong Kong dollars)

	Note	For the period from 6 May 2016 (date of incorporation) to 31 December 2016	For the year ended 31 December 2017	For the year ended 31 December 2018	For the six months ended 30 June 2018	For the six months ended 30 June 2019
		$'000	*$'000*	*$'000*	*$'000* (unaudited)	*$'000*
Administrative expenses		(107)	(81)	(76)	(38)	(38)
Loss before taxation	*4*	(107)	(81)	(76)	(38)	(38)
Taxation charge	*5(a)*	—	—	—	—	—
Loss and total comprehensive income for the year/period		(107)	(81)	(76)	(38)	(38)

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Hong Kong dollars)

		At 31 December			At 30 June
	Note	**2016**	**2017**	**2018**	**2019**
		$'000	*$'000*	*$'000*	*$'000*
Current asset					
Amount due from the immediate holding company	*8*	—*	—*	—*	—*
Current liability					
Amount due to an intermediate holding company	*8*	(107)	(188)	(264)	(302)
NET LIABILITIES		(107)	(188)	(264)	(302)
CAPITAL AND RESERVE					
Share capital	*9(b)*	—*	—*	—*	—*
Accumulated losses		(107)	(188)	(264)	(302)
TOTAL DEFICIT		(107)	(188)	(264)	(302)

* *Represent amount of less than $1,000*

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Hong Kong dollars)

	Share capital *$'000*	Accumulated losses *$'000*	Total *$'000*
At 6 May 2016 (date of incorporation)	—	—	—
Changes in equity for the period:			
Issuance of share *(note 9(b))*	—*	—	—*
Loss and total comprehensive income for the period	—	(107)	(107)
At 31 December 2016 and 1 January 2017	—*	(107)	(107)
Changes in equity for the year:			
Loss and total comprehensive income for the year	—	(81)	(81)
At 31 December 2017 and 1 January 2018	—*	(188)	(188)
Changes in equity for the year:			
Loss and total comprehensive income for the year	—	(76)	(76)
At 31 December 2018 and 1 January 2019	—*	(264)	(264)
Changes in equity for the period:			
Loss and total comprehensive income for the period	—	(38)	(38)
At 30 June 2019	—*	(302)	(302)

	Share capital $'000	Accumulated losses $'000	Total $'000
(Unaudited)			
At 1 January 2018	—*	(188)	(188)
Changes in equity for the period:			
Loss and total comprehensive income for the period	—	(38)	(38)
At 30 June 2018	—*	(226)	(226)

* *Represent amount of less than $1,000*

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Target was incorporated in the British Virgin Islands ("**BVI**") with limited liability by shares on 6 May 2016 under the BVI Business Companies Act 2004. The registered office of the Target is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, BVI. The Target is an investment holding company and the Target Former Group is inactive during the Relevant Periods.

The Historical Financial Information set out in this report has 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 and Interpretations issued by the HKICPA. Further details of the significant accounting policies adopted by the Target Former Group are set out in note 2. The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information, including HKFRS 9, *Financial Instruments*, HKFRS 15, *Revenue from contracts with customers* and HKFRS 16, *Leases*.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Target Former Group has adopted all applicable new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning on or after 1 January 2019. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning on or after 1 January 2019 are set out in note 13.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

As at the date of this report, no audited financial statements have been prepared for the Target, as it is not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation. The financial statements of the subsidiary of the Target Former Group were prepared in accordance with HKFRSs issued by the HKICPA.

All companies comprising the Target Former Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared on a going concern basis notwithstanding the deficiency in shareholder's funds, as an intermediate holding company of the Target has confirmed that it will continue to provide such financial support as is necessary to maintain the Target Former Group as going concern.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis.

(b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Subsidiary

A subsidiary is an entity controlled by the Target Former Group. The Target Former Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Target Former Group has the power, only substantive rights (held by the Target Former Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Target's statement of financial position, an investment in a subsidiary is stated at cost less any impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Receivables

Receivables are stated at amortised cost using the effective interest method, less allowance for credit losses.

(e) Consolidated cash flow statement

Consolidated cash flow statement has not been prepared because the Target Former Group did not have any cash flows during the year/period nor did it have any cash or cash equivalents during the year/period and at the end of the reporting periods.

The cash flows which have resulted from the operations of the Target Former Group were all received and paid by group companies, and the amounts involved have all been accounted for as intercompany receivables and payables.

(f) Payables

Payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(g) Income tax

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years/periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

(h) Provisions and contingent liabilities

Provisions are recognised when the Target Former Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(i) Related parties

(i) A person, or a close member of that person's family, is related to the Target Former Group if that person:

(1) has control or joint control over the Target Former Group;

(2) has significant influence over the Target Former Group; or

(3) is a member of the key management personnel of the Target Former Group or the Target Former Group's parent.

(ii) An entity is related to the Target Former Group if any of the following conditions applies:

(1) The entity and the Target Former Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Target Former Group or an entity related to the Target Former Group.

(6) The entity is controlled or jointly controlled by a person identified in (i).

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Former Group or to the Target Former Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 REVENUE AND SEGMENT INFORMATION

The Target Former Group is inactive during the Relevant Periods and therefore no segment information is presented.

4 LOSS BEFORE TAXATION

The auditor's remuneration is borne by an intermediate holding company during the Relevant Periods.

The Target Former Group does not have any staff during the Relevant Periods, and its operations are managed by an intermediate holding company.

5 TAXATION CHARGE

(a) Pursuant to the rules and regulations of the BVI, the Target Former Group is not subject to any income tax in the BVI.

No provision has been made for Hong Kong Profits Tax as the Target Former Group has no assessable profits arising in or derived from Hong Kong for the Relevant Periods.

(b) Reconciliation between tax expense and loss before taxation at an applicable tax rate:

	For the period from 6 May 2016 (date of incorporation) to 31 December	**For the year ended 31 December**		**For the six months ended 30 June**	
	2016	**2017**	**2018**	**2018**	**2019**
	$'000	*$'000*	*$'000*	*$'000* *(unaudited)*	*$'000*
Loss before taxation	(107)	(81)	(76)	(38)	(38)
Notional tax on loss before taxation calculated at 16.5%	(18)	(13)	(13)	(6)	(6)
Tax effect of non-deductible expenses	18	13	13	6	6
Tax expense	—	—	—	—	—

6 DIRECTORS' EMOLUMENTS

During the Relevant Periods, no fees, salaries, allowances and other benefits, performance related bonuses, and provident fund contributions were paid/payable to the directors of the Target.

7 INVESTMENT IN A SUBSIDIARY

As at 31 December 2016, 2017 and 2018 and 30 June 2019, particulars of the subsidiary are as follows:

Name of subsidiary	Place and date of incorporation	Particulars of issued capital	Proportion of ownership interest Effective interest	Held by the Target	Principal activity	Name of statutory auditor
Astaria Garden Limited	Hong Kong 18 May 2016	$1	100%	100%	Inactive	Fan, Chan & Co

8 AMOUNTS DUE FROM/TO THE IMMEDIATE HOLDING COMPANY AND AN INTERMEDIATE HOLDING COMPANY

Amounts due from/to the immediate holding company and an intermediate holding company are unsecured, interest-free and recoverable/repayable on demand.

9 CAPITAL AND RESERVE

(a) Movements in component of equity

The reconciliation between the opening and closing balances of each component of the Target Former Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Target's individual components of equity between the beginning and the end of the period/year are set out below:

	Share capital	Accumulated losses	Total
	$'000	*$'000*	*$'000*
At 6 May 2016 (date of incorporation)	—	—	—
Changes in equity for the period:			
Issuance of share *(note 9(b))*	—*	—	—*
Loss and total comprehensive income for the period	—	(18)	(18)
At 31 December 2016 and 1 January 2017	—*	(18)	(18)
Changes in equity for the year:			
Loss and total comprehensive income for the year	—	(2)	(2)
At 31 December 2017 and 1 January 2018	—*	(20)	(20)
Changes in equity for the year:			
Loss and total comprehensive income for the year	—	—	—

	Share capital *$'000*	Accumulated losses *$'000*	Total *$'000*
At 31 December 2018 and 1 January 2019	—*	(20)	(20)
Changes in equity for the period:			
Loss and total comprehensive income for the period	—	—	—
At 30 June 2019	—*	(20)	(20)
(Unaudited)			
At 1 January 2018	—*	(20)	(20)
Changes in equity for the period:			
Loss and total comprehensive income for the period	—	—	—
At 30 June 2018	—*	(20)	(20)

* *Represent amount of less than $1,000*

(b) Share capital

The Target is authorised to issue a maximum of 50,000 shares of US$1 par value.

	No. of share	Amount *US$*	Amount *$*
Issued and fully paid:			
At 6 May 2016 (date of incorporation)	—	—	—
Share issued during the period	1	1	8
At 31 December 2016, 1 January 2017, 31 December 2017, 1 January 2018, 31 December 2018, 1 January 2019 and 30 June 2019	1	1	8

(c) Capital management

The Target Former Group's primary objectives when managing capital are to safeguard the Target Former Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. As the Target Former Group is part of a larger group, the Target Former Group's sources of additional capital and policies for distribution of excess capital may also be affected by the group's capital management objectives.

The Target Former Group defines ''capital'' as including all components of equity. Trading balances that arise as a result of trading transactions with other group companies are not regarded by the Target Former Group as capital.

The Target Former Group's capital structure is regularly reviewed and managed with due regard to the capital management practices of the group to which the Target Former Group belongs. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Target or the Target Former Group, to the extent that these do not conflict with the directors' fiduciary duties towards the Target Former Group. The results of the directors' review of the Target Former Group's capital structure are used as a basis for the determination of the level of dividends, if any, that are declared. The Target Former Group's overall strategy remains unchanged throughout the Relevant Periods.

The Target Former Group was not subject to externally imposed capital requirements during the Relevant Periods.

10 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

The Target Former Group is exposed to liquidity risk which arises in the normal course of the Target Former Group's business as set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner and these risks are limited by the financial policies and practices undertaken by the Target Former Group.

(a) Liquidity risk

The Target Former Group's policy is to regularly monitor its liquidity requirements. The earliest settlement dates of the Target Former Group's financial liabilities at the end of the reporting period are all within one year or on demand and the contractual amounts of the financial liabilities are all equal to their carrying amounts.

(b) Fair values

The carrying amounts of the Target Former Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values at 31 December 2016, 2017 and 2018, and 30 June 2019.

11 MATERIAL RELATED PARTY TRANSACTIONS

Apart from the transactions/balances disclosed elsewhere in the Historical Financial Information, the Target Former Group did not enter into any other material related party transactions during the Relevant Periods.

12 COMPANY-LEVEL STATEMENTS OF FINANCIAL POSITION

	Note	At 31 December 2016 $'000	At 31 December 2017 $'000	At 31 December 2018 $'000	At 30 June 2019 $'000
Non-current asset					
Investment in a subsidiary	7	—*	—*	—*	—*
Current asset					
Amount due from the immediate holding company		—*	—*	—*	—*
Current liabilities					
Amount due to a subsidiary		—*	—*	—*	—*
Amount due to an intermediate holding company		(18)	(20)	(20)	(20)
		(18)	(20)	(20)	(20)
Net current liabilities		(18)	(20)	(20)	(20)
NET LIABILITIES		(18)	(20)	(20)	(20)
CAPITAL AND RESERVE	*9(a)*				
Share capital		—*	—*	—*	—*
Accumulated losses		(18)	(20)	(20)	(20)
TOTAL DEFICIT		(18)	(20)	(20)	(20)

* *Represent amount of less than $1,000*

13 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of this Historical Financial Information, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the Relevant Periods and which have not been adopted in the Historical Financial Information.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Business combinations* "Definition of a business"	1 January 2020
Amendments to HKAS 1, *Presentation of financial statements* and HKAS 8, *Accounting policies, changes in accounting estimates and errors* "Definition of material"	1 January 2020
HKFRS 17, *Insurance contracts*	1 January 2021
Amendments to HKFRS 10, *Consolidated financial statements* and HKAS 28, *Investments in associates and joint ventures* "Sale or contribution of assets between an investor and its associate or joint venture"	To be determined

The Target Former Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has assessed that the adoption of them is unlikely to have a significant impact on the Target Former Group's results of operations and financial position.

14 NON-ADJUSTMENT EVENTS AFTER THE REPORTING PERIOD

On 15 August 2019, the Target has disposed of its subsidiary to a fellow subsidiary for a consideration of $1.

Apart from the above, there are no other significant subsequent events which have occurred to any business or the Target Former Group subsequent to 30 June 2019.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target or its subsidiary in respect of any period subsequent to 30 June 2019.

The following is the text of a report received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF VANKE PROPERTY (OVERSEAS) LIMITED

Introduction

We report on the historical financial information of Realty Asset Limited (''**Realty Asset**'') set out on pages III-3 to III-22, which comprises the statements of financial position as at 31 March 2017, 2018 and 2019 and the statements of comprehensive income, the statements of changes in equity and the cash flow statements, for the years ended 31 March 2017, 2018 and 2019 (the ''**Relevant Periods**''), and a summary of significant accounting policies and other explanatory information (together, the ''**Historical Financial Information**''). The Historical Financial Information set out on pages III-3 to III-22 forms an integral part of this report, which has been prepared for inclusion in the circular of Vanke Property (Overseas) Limited (the ''**Company**'') dated 30 September 2019 (the ''**Circular**'') in connection with the proposed acquisition of V-Win Achieve Limited, which is the immediate holding company of Realty Asset as at the date of the Circular, by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

The Underlying Financial Statements of Realty Asset as defined on page III-3, on which the Historical Financial Information is based, were prepared by the directors of Realty Asset. The directors of Realty Asset are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (''**HKICPA**''), and for such internal control as the directors of Realty Asset determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 ''Accountants' Reports on Historical Financial Information in Investment Circulars'' issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of Realty Asset's financial position as at 31 March 2017, 2018 and 2019 and of its financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 September 2019

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of Realty Asset for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG under separate terms of engagement with Realty Asset in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

STATEMENTS OF COMPREHENSIVE INCOME

(Expressed in Hong Kong dollars)

		For the year ended 31 March		
		2017	**2018**	**2019**
	Note	*$'000*	*$'000*	*$'000*
Administrative and other operating expenses		(225)	(227)	(244)
Increase in fair value of investment properties under redevelopment	*8*	54,035	58,931	2,486
Operating profit		53,810	58,704	2,242
Finance income		—*	—*	—*
Finance costs	*5(a)*	—	—	—
Profit before taxation	*5*	53,810	58,704	2,242
Taxation charge	*6(a)*	—	—	—
Profit and total comprehensive income for the year		53,810	58,704	2,242

* *Represent amount of less than $1,000*

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION

(Expressed in Hong Kong dollars)

		At 31 March		
		2017	2018	2019
	Note	*$'000*	*$'000*	*$'000*
Non-current assets				
Investment properties under redevelopment	*8*	456,000	519,000	526,000
Deferred tax assets	*6(c)*	52	52	52
		456,052	519,052	526,052
Current asset				
Bank balances		608	1,021	972
Current liabilities				
Accruals		(76)	(66)	(163)
Amounts due to former related companies	*9*	(3,356)	(4,534)	(2,378)
Amount due to a former director	*10*	(171,832)	(175,232)	(179,938)
Bank loan	*11*	(110,000)	(110,000)	(110,000)
Loan from a former related company	*12*	(22,086)	(22,227)	(24,289)
		(307,350)	(312,059)	(316,768)
Net current liabilities		(306,742)	(311,038)	(315,796)
NET ASSETS		149,310	208,014	210,256
CAPITAL AND RESERVE				
Share capital	*14(a)*	1	1	1
Retained profits		149,309	208,013	210,255
TOTAL EQUITY		149,310	208,014	210,256

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF CHANGES IN EQUITY

(Expressed in Hong Kong dollars)

	Share capital *$'000*	Retained profits *$'000*	Total equity *$'000*
At 1 April 2016	1	95,499	95,500
Changes in equity for the year:			
Profit and total comprehensive income for the year	—	53,810	53,810
At 31 March 2017 and 1 April 2017	1	149,309	149,310
Changes in equity for the year:			
Profit and total comprehensive income for the year	—	58,704	58,704
At 31 March 2018 and 1 April 2018	1	208,013	208,014
Changes in equity for the year:			
Profit and total comprehensive income for the year	—	2,242	2,242
At 31 March 2019	1	210,255	210,256

The accompanying notes form part of the Historical Financial Information.

CASH FLOW STATEMENTS

(Expressed in Hong Kong dollars)

	Note	2017	2018	2019
		For the year ended 31 March		
		$'000	*$'000*	*$'000*
Operating activities				
Profit before taxation		53,810	58,704	2,242
Adjustments for:				
Bank interest income		—*	—*	—*
Increase in fair value of investment properties under redevelopment	*8*	(54,035)	(58,931)	(2,486)
Operating loss before working capital changes		(225)	(227)	(244)
(Decrease)/increase in accruals		(9,620)	(10)	97
Increase/(decrease) in amounts due to former related companies		460	291	(3,089)
Net cash (used in)/generated from operating activities		(9,385)	54	(3,236)
Investing activities				
Payments for additions to investment properties under redevelopment	*8*	(8,469)	(208)	(13)
Interest received		—*	—*	—*
Net cash used in investing activities		(8,469)	(208)	(13)

* *Represent amount of less than $1,000*

		For the year ended 31 March		
	Note	**2017**	**2018**	**2019**
		$'000	*$'000*	*$'000*
Financing activities				
Advance from a former director	*13*	3,100	3,400	4,706
Bank loan interest paid	*13*	(3,143)	(2,974)	(3,568)
Proceed from loan from a former related company	*13*	17,797	141	2,062
Net cash generated from financing activities		17,754	567	3,200
Net (decrease)/increase in cash and cash equivalents		(100)	413	(49)
Cash and cash equivalents at the beginning of the year		708	608	1,021
Cash and cash equivalents at the end of the year		608	1,021	972
Analysis of balance of cash and cash equivalents at 31 March				
Bank balances		608	1,021	972

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Realty Asset is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 55/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong. Realty Asset's principal activity is holding the investment properties in Hong Kong for redevelopment.

The Historical Financial Information set out in this report has 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 and Interpretations issued by the HKICPA. Further details of the significant accounting policies adopted by Realty Asset are set out in note 2.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, Realty Asset has adopted all applicable new and revised HKFRSs to the Relevant Periods including HKFRS 9, *Financial instruments* and HKFRS 15, *Revenue from contracts with customers,* which are effective for the accounting period beginning 1 April 2018, consistently throughout the Relevant Periods. Except for HKFRS 16, *Leases*, which are effective for the accounting period beginning 1 April 2019 and Realty Asset early adopted consistently throughout the Relevant Periods, Realty Asset has not adopted any new standards or interpretations that are not yet effective for the accounting period beginning on or after 1 April 2018. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on or after 1 April 2018 are set out in note 18.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial statements of Realty Asset during the Relevant Periods were prepared in accordance with Hong Kong Financial Reporting Standard for Private Entities issued by the HKICPA. Young Zheng CPA Limited is the statutory auditor of Realty Asset during the Relevant Periods.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Historical Financial Information contained in the Circular does not constitute Realty Asset's statutory financial statements for any of the years ended 31 March 2017, 2018 or 2019 but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

As Realty Asset is a private company, it is not required to deliver its financial statements to the Registrar of Companies, and has not done so.

The auditor of Realty Asset has reported on these financial statements for all three years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that the investment properties under redevelopment stated at its fair value as explained in note 2(c).

(b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Investment properties under redevelopment

Investment properties are land and/or buildings, which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss.

(d) Payables

Payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses.

(f) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the accounting policy for borrowing costs (see note 2(i)).

(g) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(c), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the end of the reporting period unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

(h) Provisions and contingent liabilities

Provisions are recognised when Realty Asset has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(i) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(l) Related parties

(i) A person, or a close member of that person's family, is related to Realty Asset if that person:

(1) has control or joint control over Realty Asset;

(2) has significant influence over Realty Asset; or

(3) is a member of the key management personnel of Realty Asset or Realty Asset's parent.

(ii) An entity is related to Realty Asset if any of the following conditions applies:

(1) The entity and Realty Asset are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) The entity is a post-employment benefit plan for the benefit of employees of either Realty Asset or an entity related to Realty Asset.

(6) The entity is controlled or jointly controlled by a person identified in (i).

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(8) The entity, or any member of a group of which it is a part, provides key management personnel services to Realty Asset or to Realty Asset's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(m) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to Realty Asset's most senior executive management for the purposes of allocating resources to, and assessing the performance of, Realty Asset's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 KEY SOURCES OF ESTIMATION UNCERTAINTY

Note 8(a) contains information about the assumptions and the key factors relating to valuation of investment properties under redevelopment.

4 REVENUE AND SEGMENT INFORMATION

Management of Realty Asset assesses the performance and allocates the resources of Realty Asset as a whole. Realty Asset's principal activity is holding the investment properties in Hong Kong for redevelopment. Therefore, management considers there to be only one operating segment under the requirements of HKFRS 8, *Operating Segments*. In this regard, no segment information is presented for the Relevant Periods.

5 PROFIT BEFORE TAXATION

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

	For the year ended 31 March		
	2017	**2018**	**2019**
	$'000	*$'000*	*$'000*
(a) Finance costs			
Interest expense on bank loan	3,143	2,974	3,568
Interest expense on loan from a former related company	353	887	933
Less: interest expenses capitalised into investment properties under redevelopment *(note)*	(3,496)	(3,861)	(4,501)
	—	—	—
(b) Other item			
Auditors' remuneration	13	13	13

Note: The borrowing costs have been capitalised at rates of 2.7–4%, 2.2–4% and 2.8%–4% per annum for the Revelant Periods.

6 TAXATION CHARGE

(a) No provision has been made for Hong Kong Profits Tax as Realty Asset sustained a loss for taxation purposes during the Relevant Periods.

(b) Reconciliation between tax expense and accounting profit at an applicable tax rate:

	For the year ended 31 March		
	2017	**2018**	**2019**
	$'000	*$'000*	*$'000*
Profit before taxation	53,810	58,704	2,242
Notional tax on profit before taxation calculated at 16.5%	8,879	9,686	370
Tax effect of non-taxable income	(8,916)	(9,724)	(410)
Tax effect of unrecognised tax losses	37	38	40
Tax expense	—	—	—

(c) Deferred tax assets recognised:

The components of deferred tax assets recognised in the statements of financial position and the movements during the Relevant Periods are as follows:

	Tax losses
	$'000
At 1 April 2016, 31 March 2017, 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019	52

(d) Deferred tax assets not recognised:

Realty Asset has not recognised deferred tax assets of $186,000, $224,000 and $264,000 in respect of accumulated tax losses of $1,128,000, $1,355,000 and $1,599,000 for the years ended 31 March 2017, 2018 and 2019 respectively as the availability of future taxable profits against which the assets can be utilised is uncertain at each of the year end. The tax losses do not expire under current tax legislation.

7 DIRECTORS' EMOLUMENTS

During the Relevant Periods, no fees, salaries, allowances and other benefits, performance related bonuses, and provident fund contributions were paid/payable to the directors of Realty Asset.

8 INVESTMENT PROPERTIES UNDER REDEVELOPMENT

	$'000
At 1 April 2016	390,000
Additions	8,469
Fair value gain	54,035
Borrowing costs capitalised	3,496
At 31 March 2017 and 1 April 2017	456,000
Additions	208
Fair value gain	58,931
Borrowing costs capitalised	3,861
At 31 March 2018 and 1 April 2018	519,000
Additions	13
Fair value gain	2,486
Borrowing costs capitalised	4,501
At 31 March 2019	526,000

(a) Fair value measurement of investment properties under redevelopment

(i) Fair value hierarchy

The following table presents the fair value of the investment properties under redevelopment measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

— Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 31 March	Fair value measurements at 31 March categorised into		
		Level 1	Level 2	Level 3
	$'000	*$'000*	*$'000*	*$'000*
Recurring fair value measurement				
Investment properties under redevelopment located in Hong Kong:				
— 2017	456,000	—	—	456,000
— 2018	519,000	—	—	519,000
— 2019	526,000	—	—	526,000

During the Relevant Periods, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. Realty Asset's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

The investment properties under redevelopment was revalued at 31 March 2017, 2018 and 2019. The valuations were carried out by an independent firm of valuers, Lanbase Surveyors Limited, which has among its staff with relevant professional qualifications and have recent experience in the location and category of property being valued. Management of Realty Asset has discussion with the valuers on the valuation assumptions and valuation results when the valuation is performed at each annual reporting date.

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range
Investment properties under redevelopment	Residual method	Gross development value (per sq.ft.)	2017: HK$14,864–HK$43,664 2018: HK$16,722–HK$46,451 2019: HK$15,793–HK$45,522

The valuers have valued the investment properties under redevelopment by assessing on vacant possession basis after taking into account of its redevelopment potential using residual method, whereby all the costs of achieving the completed development are deducted from an estimate value of the completed development. The fair value measurement is positively correlated to gross development value and negatively correlated to estimated construction cost.

The movements during the Relevant Periods in the balance of these Level 3 fair value measurements are set out in the above table.

Fair value adjustment of investment properties under redevelopment is recognised in the line item "Increase in fair value of investment properties under redevelopment" on the face of the statements of comprehensive income.

All the gains/losses recognised in profit or loss for the Relevant Periods arise from the investment properties under redevelopment held at the end of the reporting period.

The investment properties under redevelopment is situated in Hong Kong and held under long term lease.

At 31 March 2017, 2018 and 2019, the investment properties under redevelopment had been pledged to a bank to secure the banking facility granted to Realty Asset as detailed in note 11.

9 AMOUNTS DUE TO FORMER RELATED COMPANIES

The amounts due to former related companies are unsecured, interest-free and repayable on demand. The balances were fully repaid in July 2019.

10 AMOUNT DUE TO A FORMER DIRECTOR

Amount due to a former director is unsecured, interest-free and repayable on demand. The balance was fully repaid in July 2019.

11 BANK LOAN

Realty Asset's banking facility of $235,000,000, $235,000,000 and $235,000,000 at 31 March 2017, 2018 and 2019, respectively, is secured by the investment properties under redevelopment amounted to $456,000,000, $519,000,000 and $526,000,000 at 31 March 2017, 2018 and 2019, respectively, together with a personal guarantee executed by a former director, assignment of rentals and sales proceeds, insurance construction contracts and project management contracts over the pledged properties and mortgage of Realty Asset's shares in favour of the lender.

Among the banking facility, a balance of $110,000,000, $110,000,000 and $110,000,000 was utilised at 31 March 2017, 2018 and 2019, respectively. The bank loan is interest-bearing at the Hong Kong Inter-bank Offered Rate ("**HIBOR**") plus 1.75% per annum at 31 March 2019 (31 March 2017: HIBOR plus 2.5% per annum; 31 March 2018: HIBOR plus 1.75% to 2.5% per annum). The bank loan is a revolving loan which is repayable within one month or Realty Asset may elect to roll-over. The balance was fully repaid in July 2019.

Further details of Realty Asset's management of liquidity risk are set out in note 15(b).

12 LOAN FROM A FORMER RELATED COMPANY

The loan from a former related company is unsecured and interest-bearing at 4% per annum. The loan is classified by Realty Asset as current liability at 31 March 2017, 2018 and 2019 as the lender possesses unconditional right to call the loan at any time on demand. The balance was fully repaid in July 2019.

13 NOTES TO THE CASH FLOW STATEMENTS

Reconciliation of liabilities arising from financing activities:

The table below details changes in Realty Asset's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the cash flow statements as cash flows from financing activities.

	Amount due to a former director *(note 10)* *$'000*	Bank loan *(note 11)* *$'000*	Loan from a former related company *(note 12)* *$'000*	Total *$'000*
At 1 April 2016	168,732	110,000	4,289	283,021
Changes from financing cash flows:				
Bank loan interest paid	—	(3,143)	—	(3,143)
Proceed from loan from a former related company	—	—	17,797	17,797
Advance from a former director	3,100	—	—	3,100
Total changes from financing cash flows	3,100	(3,143)	17,797	17,754
Other changes:				
Interest expense on loan from a former related company	—	—	(353)	(353)
Interest expenses capitalised into investment properties under redevelopment	—	3,143	353	3,496
At 31 March 2017 and 1 April 2017	171,832	110,000	22,086	303,918
Changes from financing cash flows:				
Bank loan interest paid	—	(2,974)	—	(2,974)
Proceed from loan from a former related company	—	—	141	141
Advance from a former director	3,400	—	—	3,400
Total changes from financing cash flows	3,400	(2,974)	141	567
Other changes:				
Interest expense on loan from a former related company	—	—	(887)	(887)
Interest expenses capitalised into investment properties under redevelopment	—	2,974	887	3,861
At 31 March 2018 and 1 April 2018	175,232	110,000	22,227	307,459
Changes from financing cash flows:				
Bank loan interest paid	—	(3,568)	—	(3,568)
Proceed from loan from a former related company	—	—	2,062	2,062
Advance from a former director	4,706	—	—	4,706
Total changes from financing cash flows	4,706	(3,568)	2,062	3,200
Other changes:				
Interest expense on loan from a former related company	—	—	(933)	(933)
Interest expenses capitalised into investment properties under redevelopment	—	3,568	933	4,501
At 31 March 2019	179,938	110,000	24,289	314,227

14 CAPITAL AND RESERVE

(a) Share capital

	No. of shares	Amount $'000
Ordinary shares, issued and fully paid:		
At 1 April 2016, 31 March 2017, 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019	1,000	1

(b) Capital management

Realty Asset's primary objectives when managing capital are to safeguard Realty Asset's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. As Realty Asset is part of a larger group, Realty Asset's sources of additional capital and policies for distribution of excess capital may also be affected by the group's capital management objectives.

Realty Asset defines "capital" as including all components of equity. Trading balances that arise as a result of trading transactions with other group companies are not regarded by Realty Asset as capital.

Realty Asset's capital structure is regularly reviewed and managed with due regard to the capital management practices of the group to which Realty Asset belongs. Adjustments are made to the capital structure in light of changes in economic conditions affecting Realty Asset, to the extent that these do not conflict with the directors' fiduciary duties towards Realty Asset. The results of the directors' review of Realty Asset's capital structure are used as a basis for the determination of the level of dividends, if any, that are declared. Realty Asset's overall strategy remains unchanged throughout the Relevant Periods.

Realty Asset was not subject to externally imposed capital requirements during the Relevant Periods.

15 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Realty Asset is exposed to credit, liquidity and interest rate risks which arise in the normal course of Realty Asset's business as set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner and these risks are limited by the financial policies and practices undertaken by Realty Asset.

(a) Credit risk

The credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to Realty Asset. Realty Asset's credit risk is primarily attributable to bank balances. Realty Asset's exposure to credit risk arising from bank balances is limited because the counterparties are banks with sound credit ratings, for which Realty Asset considers to have low credit risk.

(b) Liquidity risk

Realty Asset's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed funding lines from major financial institutions to meet its liquidity requirements in the short and/or longer term.

The following tables detail the remaining contractual maturities at the end of the reporting period of Realty Asset's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date Realty Asset can be required to pay.

For the loan from a former related company subject to repayment on demand clause which can be exercised at the lender's sole discretion, the maturity analysis shows the cash outflow based on expected repayment dates with reference to the schedule of repayments set out in the facility letter and, separately, the impact to the timing of the cash outflow if the lender was to invoke unconditional rights to call the loan with immediate effect.

	Contractual undiscounted cash outflow				
	Within 1 year or on demand	**After 1 year but within 2 years**	**After 2 years but within 5 years**	**Total**	**Carrying amount**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
At 31 March 2017					
Accruals	76	—	—	76	76
Amounts due to former related companies	3,356	—	—	3,356	3,356
Amount due to a former director	171,832	—	—	171,832	171,832
Bank loan	110,266	—	—	110,266	110,000
Loan from a former related company	883	22,601	—	23,484	22,086
	286,413	22,601	—	309,014	307,350
Adjustments to present cash flows on loan from a former related company based on lender's right to demand repayment	21,203	(22,601)	—	(1,398)	
	307,616	—	—	307,616	
At 31 March 2018					
Accruals	66	—	—	66	66
Amounts due to former related companies	4,534	—	—	4,534	4,534
Amount due to a former director	175,232	—	—	175,232	175,232
Bank loan	110,248	—	—	110,248	110,000
Loan from a former related company	22,746	—	—	22,746	22,227
	312,826	—	—	312,826	312,059
Adjustments to present cash flows on loan from a former related company based on lender's right to demand repayment	(519)	—	—	(519)	
	312,307	—	—	312,307	

	Contractual undiscounted cash outflow				
	Within 1 year or on demand	After 1 year but within 2 years	After 2 years but within 5 years	Total	Carrying amount
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
At 31 March 2019					
Accruals	163	—	—	163	163
Amounts due to former related companies	2,378	—	—	2,378	2,378
Amount due to a former director	179,938	—	—	179,938	179,938
Bank loan	110,293	—	—	110,293	110,000
Loan from a former related company	972	972	26,799	28,743	24,289
	293,744	972	26,799	321,515	316,768
Adjustments to present cash flows on loan from a former related company based on lender's right to demand repayment	23,317	(972)	(26,799)	(4,454)	
	317,061	—	—	317,061	

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market interest rates. Realty Asset's interest rate risk arises primarily from the secured bank loan. Borrowings issued at variable rates expose Realty Asset to cash flow interest rate risk.

(i) Interest rate profile

The following table details the interest rate profile of Realty Asset's borrowings at 31 March 2017, 2018 and 2019:

	2017		2018		2019	
	Effective interest rate		Effective interest rate		Effective interest rate	
	%	*$'000*	*%*	*$'000*	*%*	*$'000*
Variable rate borrowings:						
Bank loan	2.9	110,000	2.7	110,000	3.2	110,000

(ii) Sensitivity analysis

At 31 March 2017, 2018 and 2019, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the profit after tax and retained profits by approximately $1,100,000, $1,100,000 and $1,100,000, respectively.

The sensitivity analysis above indicates the annualised impact on Realty Asset's interest expense that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to floating rate instruments which expose Realty Asset to cash flow interest rate risk at that date. The analysis is performed on the same basis during the Relevant Periods.

(d) Fair values

The carrying amounts of Realty Asset's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values at 31 March 2017, 2018 and 2019.

16 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the Historical Financial Information, Realty Asset entered into the following related party transactions under the ordinary course of business during the Relevant Periods:

	For the year ended 31 March		
	2017	**2018**	**2019**
	$'000	*$'000*	*$'000*
Nature of transactions			
Accounting service fee paid/payable to a former related company	60	60	60
Redevelopment costs paid/payable to a former related company and capitalised into investment properties under redevelopment	6,900	—	—
Architect's fee paid/payable to a former related company and capitalised into investment properties under redevelopment	400	—	—
Property management and administration fee paid/payable to a former related company	—	24	24

17 CAPITAL COMMITMENTS

Capital commitments outstanding at 31 March 2017, 2018 and 2019 not provided for in the Historical Financial Information were as follows:

	2017	**2018**	**2019**
	$'000	*$'000*	*$'000*
Contracted for	9,019	9,019	9,019

All the contracts in relation to the above capital commitments are terminated in July 2019.

18 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of this Historical Financial Information, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the Relevant Periods and which have not been adopted in the Historical Financial Information.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9, *Financial instruments* "Prepayment features with negative compensation"	1 January 2019
Amendments to HKAS 19, *Employee benefits* "Plan amendment, curtailment or settlement"	1 January 2019
Amendments to HKAS 28, *Investments in associates and joint ventures* "Long-term interest in associates and joint ventures"	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019
Annual Improvements to HKFRSs 2015–2017 Cycle	1 January 2019
Amendments to HKFRS 3, *Business combinations* "Definition of a business"	1 January 2020
Amendments to HKAS 1, *Presentation of financial statements* and HKAS 8, *Accounting policies, changes in accounting estimates and errors* "Definition of material"	1 January 2020
HKFRS 17, *Insurance contracts*	1 January 2021
Amendments to HKFRS 10, *Consolidated financial statements* and HKAS 28, *Investments in associates and joint ventures* "Sale or contribution of assets between an investor and its associate or joint venture"	To be determined

Realty Asset is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has assessed that the adoption of them is unlikely to have a significant impact on Realty Asset's results of operations and financial position.

19 NON-ADJUSTMENT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in notes 9, 10, 11, 12 and 17, there are no other significant subsequent events which have occurred to any business or Realty Asset subsequent to 31 March 2019.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Realty Asset in respect of any period subsequent to 31 March 2019.

*Set out below is the management discussion and analysis of the Target Former Group for the three financial years ended 31 December 2018 and six months ended 30 June 2019 and Realty Asset for the three financial years ended 31 March 2019 (the "**Relevant Period**").*

THE TARGET FORMER GROUP AND REALTY ASSET

Business Review

The Target is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. The Target's former subsidiary, Astaria Garden Limited, was inactive. Astaria Garden Limited ceased to be a subsidiary of the Target on 15 August 2019. As at the Latest Practicable Date, the Target Group consists of the Target and Realty Asset. The Target indirectly owns the Property.

Financial Review

The financial information of the Target Former Group and Realty Asset as extracted from the Accountant's Reports in Appendices II and III to this circular is set out below:

Segmental information

The Target Former Group was inactive, while Realty Asset operated in one single segment which is property investment in Hong Kong. In this regard, no segmental information is presented.

Revenue

The Target acquired Realty Asset in July 2019. Prior to July 2019, the Target Former Group had no operations and did not generate any revenue. Realty Asset is principally engaged in holding the Property and has not generated any revenue during the financial years ended 31 March 2017, 2018 and 2019.

Profit (loss) for the period/year

The Target Former Group recorded losses of approximately HK$107,000, HK$81,000, HK$76,000 and HK$38,000 for the period from its date of incorporation (i.e. 6 May 2016) to 31 December 2016, two financial years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, comprising administrative expenses incurred from maintaining the Target Former Group.

Realty Asset recorded profit before taxation for the three financial years ended 31 March 2017, 2018 and 2019 of approximately HK$53.8 million, HK$58.7 million and HK$2.2 million. The profit of Realty Asset is mostly attributable to the significant increase in the fair value of the Property of approximately HK$54.0 million, HK$58.9 million and HK$2.5 million for the three financial years ended 31 March 2017, 2018 and 2019. Fair value of the Property increased significantly for the two financial years ended 31 March 2017 and 2018 due to a general improvement of the Hong Kong property market. The significant decrease in fair value gain of the Property for the year ended 31 March 2019 was due to the slowdown of the growth of the property market in Hong Kong.

Property valuation

The table below sets out the reconciliation between the net book value of the Property as at 31 March 2019 as extracted from the Accountants' Report of Realty Asset in Appendix III to this circular and the market value of the Property as at 31 July 2019 as extracted from the property valuation report set out in Appendix VI to this circular:

	HK$'000
Fair value of the Property at 31 March 2019	**526,000**
Additions to the Property *(note)*	488
Finance costs capitalised	1,458
Increase in fair value of the Property	68,054
Fair value of the Property at 31 July 2019	**596,000**

Note: The additions to the Property represented (i) repair and maintenance costs for the Property; and (ii) costs incurred for the preparation of building plan of the Property.

Liquidity, financial resources and capital structure

As the Target Former Group was set up for the purpose of investment holding, it had no current assets during the period under review. It recorded total deficit of approximately HK$107,000, HK$188,000, HK$264,000 and HK$302,000 as at 31 December 2016, 2017 and 2018 and 30 June 2019 respectively, representing the net liabilities accumulated as a result of the administrative expenses incurred for the period under review.

Total assets of Realty Asset were approximately HK$457 million and HK$520 million, HK$527 million as at 31 March 2017, 2018 and 2019 respectively, comprising mainly of the fair value of the Property.

As at 31 March 2017, 2018 and 2019, bank balances of Realty Asset were approximately HK$0.6 million, HK$1.0 million and HK$1.0 million, respectively.

As at 31 March 2017, 2018 and 2019, Realty Asset had total liabilities of approximately HK$307.4 million, HK$312.1 million and HK$316.8 million respectively, which comprised mainly of (i) amount due to a former director of approximately HK$171.8 million, HK$175.2 million and HK$179.9 million as at 31 March 2017, 2018 and 2019; (ii) bank loan of HK$110.0 million, HK$110.0 million and HK$110.0 million as at 31 March 2017, 2018 and 2019; (iii) loan from a former related company of approximately HK$22.1 million, HK$22.2 million and HK$24.3 million as at 31 March 2017, 2018 and 2019; and (iv) amounts due to former related companies of approximately HK$3.4 million, HK$4.5 million and HK$2.4 million as at 31 March 2017, 2018 and 2019. The amount due to a former director was unsecured, interest-free and repayable on demand. The bank loan was interest bearing at the Hong Kong Inter-bank Offered Rate plus 1.75% per annum at 31 March 2019, secured by the Property together with a personal guarantee executed by a former director, assignment of rentals and sales proceeds, insurance construction contracts and project management contracts over the pledged properties and mortgage of Realty Asset's shares in favour of the lender. The loan from a former related company was unsecured, interest-bearing at 4% per annum and repayable on demand. The amounts due to former related companies were unsecured, interest-free and repayable on demand. The balances of the amount due to a former director, the bank loan, the loan from a former related company and the amounts due to former related companies were fully repaid in July 2019.

Realty Asset's gearing ratio, being the interest-bearing bank and other borrowings divided by its total equity, was approximately 88.5%, 63.6% and 63.9% as at 31 March 2017, 2018 and 2019 respectively.

The Target Former Group and Realty Asset were not subject to externally imposed capital requirements during the respective periods under review.

Foreign exchange exposure

As at the Latest Practicable Date, the Target Group owns the Property in Hong Kong and has no significant operations. All its assets and liabilities are denominated in Hong Kong dollars. As a result, it has no exposure to foreign exchange rate fluctuation.

Charge on assets

As at 31 March 2017, 2018 and 2019, Realty Asset had a bank loan secured by the Property together with a personal guarantee executed by a former director, assignment of rentals and sales proceeds, insurance construction contracts and project management contracts over the pledged properties and mortgage of Realty Asset's shares in favour of the lender. However, as at the Latest Practicable Date, the said charges have been released and the Target Group is not subject to any charge on its assets.

Significant investments, material acquisition and disposals

The Target Former Group and Realty Asset did not have any significant investments, material acquisitions or disposals during the Relevant Period.

Future plan for material investments or capital assets

The Target Group has no future plan for material investments or capital assets in the remainder of 2019.

Employees and remuneration policy

The Target Former Group and Realty Asset has no employee during the Relevant Period.

Contingent liabilities

As at 31 December 2016, 2017 and 2018 and 30 June 2019, the Target Former Group did not have any significant contingent liabilities.

As at 31 March 2017, 2018 and 2019, Realty Asset did not have any significant contingent liabilities.

Capital Commitment

As at 31 December 2016, 2017 and 2018, the Target Former Group did not have any capital commitments.

As at 31 March 2017, 2018 and 2019, Realty Asset had outstanding capital commitments of approximately HK$9.02 million, HK$9.02 million and HK$9.02 million in relation to the construction of the Property which were not provided for in the financial statements of Realty Asset. The relevant contracts were terminated in July 2019.

The information set forth in this appendix does not form part of the Accountants' Reports received from KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendices II and III to this circular, and is included herein for illustrative purposes only.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group set forth in Appendix I and the Accountants' Reports set forth in Appendices II and III to this circular.

A. BASIS OF PREPARATION OF THE PRO FORMA FINANCIAL INFORMATION

The following is an illustrative and unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the "**Unaudited Pro Forma Financial Information**"), which has been prepared by the Directors in accordance with Paragraphs 4.29 of the Listing Rules for the purpose of illustrating the effects of the Acquisition on the Group for inclusion in this circular.

The Unaudited Pro Forma Financial Information has been prepared to illustrate the effect of the Acquisition on the Group's financial position at 30 June 2019 as if the Acquisition had taken place and had been completed on 30 June 2019.

The Unaudited Pro Forma Financial Information has been prepared based on (1) the consolidated statement of financial position of the Group at 30 June 2019 extracted from the Company's interim report for the six months ended 30 June 2019; (2) the consolidated statement of financial position of the Target and its subsidiary (the "**Target Former Group**") at 30 June 2019 extracted from the Accountants' Report of the Target Former Group set out in Appendix II to this circular; and (3) the statement of financial position of Realty Asset at 31 March 2019 extracted from the Accountants' Report of Realty Asset set out in Appendix III to this circular, as if the Acquisition had been completed on 30 June 2019.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimations and uncertainties. Because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed on 30 June 2019 or if the Acquisition has been completed on any future dates.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published interim report of the Group for the six months ended 30 June 2019, the Accountants' Reports on the financial information of the Target Former Group and Realty Asset as set out in Appendices II and III to this circular, respectively, and other financial information included elsewhere in this circular.

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	The Group at 30 June 2019	The Target Former Group at 30 June 2019	Realty Asset at 31 March 2019	Other pro forma adjustments					The Enlarged Group at 30 June 2019
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 7)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets									
Property, plant and equipment	9,823	—	—	—	—	—	585,496	—	595,319
Investment properties	3,136,799	—	526,000	—	—	59,496	(585,496)	—	3,136,799
Interests in associates	481,574	—	—	—	—	—	—	—	481,574
Investment instruments	522,798	—	—	—	—	—	—	—	522,798
Other non-current assets	52,337	—	—	—	—	—	—	—	52,337
Deferred tax assets	—	—	52	—	—	—	—	—	52
	4,203,331	—	526,052	—	—	59,496	—	—	4,788,879
Current assets									
Trade and other receivables	14,696	—	—	—	—	—	—	—	14,696
Amount due from an intermediate holding company	—	—*	—	—	—	—	—	—	—*
Amount due from an associate	6,375	—	—	—	—	—	—	—	6,375
Tax recoverable	1,806	—	—	—	—	—	—	—	1,806
Bank balances and cash	934,533	—	972	—	—	(595,300)	—	—	340,205
	957,410	—*	972	—	—	(595,300)	—	—	363,082
Current liabilities									
Other payables and accruals	(63,838)	—	(163)	—	—	—	—	(2,500)	(66,501)
Amount due to an intermediate holding company	(17,559)	(302)	—	281	(316,605)	325,800	—	—	(8,385)
Amount due to an associate	(125,585)	—	—	—	—	—	—	—	(125,585)
Amounts due to fellow subsidiaries	(26,534)	—	—	—	—	—	—	—	(26,534)
Amounts due to former related companies	—	—	(2,378)	—	2,378	—	—	—	—
Amount due to a former director	—	—	(179,938)	—	179,938	—	—	—	—
Loan from an intermediate holding company	(365,979)	—	—	—	—	—	—	—	(365,979)
Loan from a former related company	—	—	(24,289)	—	24,289	—	—	—	—
Bank loan	(9,919)	—	(110,000)	—	110,000	—	—	—	(9,919)
Lease liabilities	(2,522)	—	—	—	—	—	—	—	(2,522)
Tax payable	(10,205)	—	—	—	—	—	—	—	(10,205)
	(622,141)	(302)	(316,768)	281	—	325,800	—	(2,500)	(615,630)
Net current assets/(liabilities)	335,269	(302)	(315,796)	281	—	(269,500)	—	(2,500)	(252,548)
Total assets less current liabilities	4,538,600	(302)	210,256	281	—	(210,004)	—	(2,500)	4,536,331
Non-current liabilities									
Bank loan	(728,735)	—	—	—	—	—	—	—	(728,735)
Lease liabilities	(57,948)	—	—	—	—	—	—	—	(57,948)
Deferred tax liabilities	(42,235)	—	—	—	—	—	—	—	(42,235)
	(828,918)	—	—	—	—	—	—	—	(828,918)
NET ASSETS/(LIABILITIES)	3,709,682	(302)	210,256	281	—	(210,004)	—	(2,500)	3,707,413

* *Represent amount of less than HK$1,000*

C. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

1. The amounts are extracted from the consolidated statement of financial position of the Group at 30 June 2019 as set out in the published interim report of the Group for the six months ended 30 June 2019.

2. The amounts are extracted from the consolidated statement of financial position of the Target Former Group at 30 June 2019 and the statement of financial position of Realty Asset at 31 March 2019 as set out in Appendices II and III to this circular, respectively.

3. On 15 August 2019, the Target has disposed of its subsidiary, Astaria Garden Limited, to a fellow subsidiary for a consideration of HK$1. Accordingly, the assets and liabilities of Astaria Garden Limited are excluded for the purpose of preparation of the Unaudited Pro Forma Financial Information.

4. In July 2019, Realty Asset settled the amounts due to former related companies, loan from a former related company, bank loan and amount due to a former director (collectively, the "**Former Debts**") through current account with an intermediate holding company, VPHK. Accordingly, the Former Debts are reclassified as "amount due to an intermediate holding company" for the purpose of the preparation of the Unaudited Pro Forma Financial Information.

5. Pursuant to the sale and purchase agreement dated 29 August 2019, the Group has conditionally agreed to purchase approximately 99.8% (subject to final determination at completion and in no event being less than 99%)[*(Note 1)*] of the entire issued share capital of the Target and the entire shareholder's loan due to VPHK by the Target Group for a consideration of approximately HK$594.8 million (subject to adjustment)[*(Note 2)*]. The completion of the Acquisition is dependent on the fulfilment of a number of conditions, among others, the approval from the independent shareholders of the Company. Pursuant to the sales and purchase agreement, the Group has paid approximately HK$29.8 million as a deposit on 4 September 2019.

   90% of consideration of approximately HK$535.2 million will be settled at completion of the Acquisition and the remaining consideration of approximately HK$29.8 million will be settled within 5 business days after the date of determination of the consolidated net asset value of the Target Group as at the Completion Date.

Notes:

1. The Sale Shares Percentage was not determined at the time of signing of the Sale and Purchase Agreement as it was subject to the investment to be committed or made by the employees of the Group and the China Vanke Group through the co-investment scheme before the Completion. As at the Latest Practicable Date, it has been determined that the Sale Shares Percentage will be approximately 99.89% and the remaining approximately 0.11% of the issued share capital of the Target will be beneficially or effectively owned by certain employees of the Group and China Vanke Group.

2. As the Sale Shares Percentage has been fixed at approximately 99.89%, the Consideration shall be about HK$595.3 million (subject to adjustment on a cash-free debt-free basis).

Upon the completion of the Acquisition, the Target will become an approximately 99.89%-owned subsidiary of the Company. Such acquisition is not accounted for as an acquisition of business in accordance with Hong Kong Financial Reporting Standard 3, *Business combinations*, but as an acquisition of assets.

The calculation of pro forma adjustment to the fair value of investment properties under redevelopment is as follows:

	HK$'000
Consideration for the Acquisition	595,300
Carrying amount of identifiable net assets of the Target Group acquired	(210,235)
Amount due to VPHK by the Target Group	(325,800)
Non-controlling interests of the Target Group	231
Pro forma adjustment to the fair value of investment properties under redevelopment of the Target Group	59,496

The carrying amount of identifiable net assets of the Target Group acquired is subject to change upon the completion of the Acquisition. Consequently, the resultant adjustment to the fair value of investment properties under redevelopment of the Target Group and non-controlling interests of the Target Group will likely result in different amounts than those stated in the Unaudited Pro Forma Financial Information.

6. Upon the completion of the Acquisition, the Group intends to re-develop the Property into hotel. Accordingly, the Property is reclassified from ''investment properties'' to ''property, plant and equipment'' for the purpose of the preparation of the Unaudited Pro Forma Financial Information.

7. Adjustment has been made to the Unaudited Pro Forma Financial Information for professional costs directly attributable to the Acquisition (including fees to legal advisers, independent financial advisers, reporting accountants, valuer, printer and other expenses).

8. No other adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions entered into by the Enlarged Group subsequent to 30 June 2019.

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this circular.

KPMG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF VANKE PROPERTY (OVERSEAS) LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Vanke Property (Overseas) Limited (the "**Company**") and its subsidiaries (collectively the "**Group**", V-Win Achieve Limited and Realty Asset Limited (collectively, the "**Enlarged Group**")) by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of asset and liabilities as at 30 June 2019 and related notes as set out in Parts A to C of Appendix V to the circular dated 30 September 2019 (the "**Circular**") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Parts A to C of Appendix V to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of the Target Group (the "**Acquisition**") on the Group's financial position as at 30 June 2019 as if the Acquisition had taken place at 30 June 2019. As part of this process, information about the Group's financial position as at 30 June 2019 has been extracted by the Directors from the interim report of the Company for the six months ended 30 June 2019, on which a review report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("**HKSAE**") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 30 June 2019 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group, and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong

30 September 2019

The following is the text of a valuation report prepared for the purpose of incorporation in this circular received from Knight Frank Petty Limited, an independent valuer, in connection with their valuation as at 31 July 2019 of the Property Interest held by the Target Group.

Knight Frank 萊坊

Knight Frank Petty Limited
4/F, Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

The Board of Directors
Vanke Property (Overseas) Limited
55/F, Bank of China Tower
1 Garden Road
Central, Hong Kong

30 September 2019

Dear Sirs

VALUATION IN RESPECT OF INLAND LOT NOS 6745, 6746, 6747 AND 6748, CHUN YEUNG STREET, NORTH POINT, HONG KONG (THE "PROPERTY INTEREST")

In accordance with the instructions from Vanke Property (Overseas) Limited (hereinafter referred to as the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") to value the Property Interest, we confirm that we have made relevant enquiries and carried out searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property Interest in its existing state as a development site as at 31 July 2019 (the "**Valuation Date**") for public disclosure purposes. Our valuation is undertaken by the qualified valuer with relevant experiences as an independent valuer. Our valuation is prepared in unbiased and professional manner.

BASIS OF VALUATION

In arriving at our opinion of market value, we followed "The HKIS Valuation Standards 2017" issued by The Hong Kong Institute of Surveyors ("**HKIS**") and "The RICS Valuation — Global Standards 2017" issued by The Royal Institution of Chartered Surveyors ("**RICS**"). Under the said standards, market value is defined as:

"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction), and without offset for any associated taxes or potential taxes.

Market value is also the best price reasonably obtainable in the market on the valuation date by the seller and the most advantageous price reasonably obtainable in the market on the valuation date by the buyer. This estimate specially excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

Our valuation complies with the requirements set out in "The HKIS Valuation Standards 2017" issued by HKIS, "The RICS Valuation — Global Standards 2017" issued by RICS and Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Our valuation is based on 100% of the leasehold interest of the Property Interest.

VALUATION METHODOLOGY

With sales evidences available in the market, we have therefore adopted Market Approach in forming our opinion of market value of the Property Interest. Appropriate adjustments have been made for any differences in the characteristics between the Property Interest and the comparable properties. We have also assumed the Property Interest will be completed in accordance with the proposed development scheme given by the Group and ready for immediate occupation as at the Valuation Date with all relevant approvals for the scheme have been obtained. We have also considered the cost of development including estimated construction costs provided by the Group such as finance costs and professional fees.

VALUATION ASSUMPTIONS AND CONDITIONS

Our valuation is subject to the following assumptions and conditions:

Title Documents and Encumbrances

We have taken reasonable care to investigate the title of the Property by obtaining land search records from the Land Registry, if not available, with reference to the title documents or other documents of title as provided. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. We however do not accept a liability for any interpretation which we have placed on such information that is more properly the sphere of your legal advisers. In our valuation, we have assumed a good and marketable title and that all documentation is satisfactorily drawn. We have also assumed that the Property Interest is not subject to any unusual or onerous covenants, restrictions, encumbrances or outgoings.

Disposal Costs and Liabilities

No allowance has been made in our report for any charges, mortgages or amounts owing on the Property Interest nor for any expenses or taxation which may be incurred in effecting a sale.

Source of Information

We have relied to a very considerable extent on information given by the Group. We have accepted advice given to us on such matters as planning approval, statutory notice, easement, tenure, floor areas and all other relevant matters. We have not verified the correctness of any information, including their translation supplied to us concerning the Property Interest, whether in writing or verbally by yourselves, your representatives or by your legal or professional advisers or by any (or any apparent) occupier of the Property Interest or contained on the register of title. We assume that this information is complete and correct.

Inspection

The external inspection of the Property Interest was undertaken on 20 August 2019 by a qualified valuer, Terrence Tang MRICS RICS Registered Valuer.

Identity of the Property Interest to be Valued

We have exercised reasonable care and skill to ensure that the Property Interest is the property inspected by us and contained within our valuation report. If there is ambiguity as to the property address, or the extent of the property interest to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

Property Insurance

We have valued the Property Interest on the assumption that, in all respects, it is insurable against all usual risks including terrorism, flooding and rising water table at normal, commercially acceptable premiums.

Site Boundary

We were not able to delineate the exact boundary of the Property Interest nor were we able to carry out detailed site measurements to verify the correctness of the site area of the Property Interest. Nevertheless, we have based on the site area of the Property Interest as obtained from the Government records in preparing our valuation.

Areas

In our valuations, we have relied upon areas provided to us. We have also assumed that the site areas, measurements and dimensions shown on the documents handed to us are correct and in approximations only.

Services and Utilities

Our valuation has been undertaken on the basis that the services, including but not limited to the drain, waterway or watercourse, water main, sewer, cable, wire and pipe and other utility services, etc. to the Property Interest was approved and connected and the services functioned satisfactorily.

Ground Condition

We have assumed there to be no unidentified adverse ground or soil conditions and that the load bearing qualities of the site of the Property Interest are sufficient to support the building constructed or to be constructed thereon; and that the services are suitable for any existing or future development. Our valuation is therefore prepared on the basis that no extraordinary expenses or delays will be incurred in this respect.

Environmental Issues

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the Property Interest is unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

Compliance with Relevant Ordinances and Regulations

We have assumed that the Property Interest was constructed, occupied and used in full compliance with, and without contravention of any Ordinances, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the Property Interest upon which this report is based, any and all required licences, permits, certificates, consents, approvals and authorisation have been obtained, except only where otherwise stated.

Remarks

In our valuations, Knight Frank has prepared the valuation based on information and data available to us as at the Valuation Date. While current market is influenced by various policies and regulations, increased complexity in social movements and international trade tensions geopolitics, has also resulted in more fluctuations in real estate market. It must be recognised changes in policy direction, mortgage requirements, social and international tensions could be immediate and have sweeping impact on the real estate market apart from typical market variations. It should therefore be noted that any market violation, policy, geopolitical and social changes or other unexpected incidents after the Valuation Date may affect the value of the Property Interest.

Currency

Unless otherwise stated, all monetary figures in this valuation report will be in Hong Kong Dollars (HK$).

Area Conversion

The area conversion factors in this report are taken as follows:

1 sq. m. = 10.764 sq. ft.

We enclose herewith our valuation report.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited

Natalie Wong
MRICS MHKIS RICS Registered Valuer
Director, Valuation & Advisory

Thomas Lam
FRICS FHKIS RPS(GP) RICS Registered Valuer
Executive Director, Head of Valuation & Advisory

Notes:

Thomas Lam is a qualified valuer who has over 19 years of extensive experiences in market research, valuation and consultancy in the PRC, Hong Kong, Macao and Asia Pacific region.

Natalie Wong is a qualified valuer who has about 14 years of experience in valuation of properties in Hong Kong.

VALUATION

Property Interest held by the Group for development

Property	Description and tenure	Particulars of occupancy	Market value in existing state as a development site as at 31 July 2019
Inland Lot Nos 6745, 6746, 6747 and 6748, Chun Yeung Street, North Point, Hong Kong Inland Lot No 6745, Inland Lot No 6746, Inland Lot No 6747 and Inland Lot No 6748 ("**IL 6745, IL 6746, IL 6747 & IL 6748**")	The Property comprises a development site with a site area of 4,340 sq. ft. (403.2 sq. m.) or thereabouts. The Property is situated at the southern side of Chun Yeung Street near its junction with North Point Road in North Point. The Property is surrounded by composite commercial/residential developments, offices, markets, hotel developments and aged tenement blocks in North Point. Pursuant to the provided development scheme, the property is planned to be developed into a 23-storey hotel development with ancillary retail and car parking facilities. The total gross floor area of the proposed development is approximately 65,100 sq. ft. (6,047.9 sq. m.) with 160 guestrooms. IL6745, IL6746, IL6747 and IL6748 are held under four Government Leases all for a term of 75 years renewable for a further term of 75 years commencing from 5 September 1921 at a total annual rent of HK$75,626.	The Property was a vacant development site as at the Valuation Date and is planned to develop into a hotel development. As advised by the Group, the proposed development is now in design stage and the construction is planned to be commenced in late 2019 and to be completed in late 2022.	HK$596,000,000 (Hong Kong Dollars Five Hundred and Ninety Six Million)

Notes:

(1) Pursuant to the records obtained from the Land Registry, as at the Valuation Date, the registered owner of the Property was Realty Asset Limited, a wholly-owned subsidiary of the Target.

(2) As at the Valuation Date, the Property was subject to following major encumbrances:

a. Offensive Trade Licence vide a memorial no 13072301150039 dated 8 July 2013;

b. Debenture in favour of United Overseas Bank Limited with a consideration of HK$235,000,000 vide a memorial no 14032500870104 dated 27 February 2014;

c. Assignment of Rental and Sales Proceeds in favour of United Overseas Bank Limited vide a memorial no 14032500870117 dated 27 February 2014; and

d. Deed of Release (under deeds pending registration) vide a memorial no 19081502420865 dated 16 July 2019 regarding the Debenture dated 27 February 2014 vide a memorial no 14032500870104 and the Assignment of Rental and Sales Proceeds dated 27 February 2014 vide a memorial no 14032500870117.

(3) As at the Valuation Date, the Property was situated within an area zoned for "Commercial/Residential" uses under Approved North Point Outline Zoning Plan No S/H8/26 dated 15 August 2017.

(4) The Property is subject to four government leases with typical non-offensive trades clause. Pursuant to the Offensive Trade Licence dated 8 July 2013 against the Property, the licence allows the owner of the Property to carry out the trade or business of sugar-baker, oilman (excluding petrol filling station), butcher, victualler and tavern-keeper. The proposed use of the Property as hotel development falls within the permitted uses under the licence.

(5) In valuing the Property, we have considered the total estimated construction costs provided by the Group which is about HK$404 million. As advised by the Group, the cost incurred was minimal as at the Valuation Date.

(6) Th gross development value of the proposed development, assuming it was completed as at the Valuation Date, was approximately HK$1,240,000,000.

(7) In our valuation, we have made certain assumptions as follows:

a. The Property is vested by the registered owner and the Property can be fully transferred, mortgaged, developed, occupied and operated by the registered owner without any restrictions;

b. The Property will be developed into a hotel development according to the proposed development scheme;

c. All such approvals, permits and consents required including planning approval, building plan approval, construction permit, etc. were or will be obtained from the relevant Government authorities without onerous conditions and delays for the construction of the proposed development; and

d. The proposed development will be completed to a reasonable condition and ready for proper hotel operation. And relevant approvals, permits and consents will be obtained.

I. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

II. DISCLOSURE OF INTERESTS

(a) Interests and/or short positions of the Directors and chief executives

As at the Latest Practicable Date, the Directors and the chief executive of the Company had the following interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or, chief executive of the Company was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in the Listing Rules, to be notified to the Company and the Stock Exchange:

Interests in an associated corporation, China Vanke

		Number of ordinary shares held						
Name of Director	Type of shares	Interest held as beneficial owner	Interest held by spouse	Interest held by controlled corporations	Other interests	Number of underlying shares held under equity derivatives	Total interests	Percentage of issued share capital *(Note)*
Zhang Xu	A shares	904,039	—	—	—	—	904,039	0.009%
Que Dongwu	A shares	150,700	—	—	—	—	150,700	0.002%
Chan Chi Yu	H shares	—	—	500,203	—	—	500,203	0.032%

Note: The total number of ordinary A shares of China Vanke in issue as at Latest Practicable Date was 9,724,196,533 and the total number of ordinary H shares of China Vanke in issue as at Latest Practicable Date was 1,577,946,468. The percentage of issued share capital shown above is calculated based on the number of issued shares in the relevant class alone, without taking into account the issued share capital of the other classes.

All the interests in the shares disclosed under this section represent long position in the shares of the Company or its associated corporations. Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the

SFO) which was required to be recorded in the register kept by the Company under section 352 of the SFO or which was required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Interests and/or short positions of substantial shareholders

As at the Latest Practicable Date, so far as is known to any of the Directors, the following person (other than a person who is a Director or chief executive of the Company) had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged Group, or which was recorded in the register required to be kept by the Company (the "**Register**") under section 336 of the SFO:

Name of substantial Shareholder	Long position/ short position	Capacity of interest	Total number of shares in which the shareholder is interested	Percentage of shareholding
China Vanke *(Note 1)*	Long position	Held by controlled corporations	292,145,949	75.0%
CITIC Securities Company Limited *(Note 2)*	Long position	Held by controlled corporations	30,080,000	7.72%

Notes:

1. As recorded in the Register, the 292,145,949 Shares are held by China Vanke through Wkland Investments. Wkland Investments is a direct wholly-owned subsidiary of Wkland Limited. Wkland Limited is a direct wholly-owned subsidiary of VPHK. VPHK is a direct wholly-owned subsidiary of Shanghai Vanke Real Estate Company Limited. Shanghai Vanke Real Estate Company Limited is a direct wholly-owned subsidiary of Shanghai Vanke Investment and Management Company Limited. Shanghai Vanke Investment and Management Company Limited is a direct wholly-owned subsidiary of China Vanke.

2. As recorded in the Register, the 30,080,000 Shares are held by CSI Capital Management Limited ("**CSI**"), which is a direct wholly-owned subsidiary of CITIC Securities International Company Limited, which in turn is a wholly-owned subsidiary of CITIC Securities Company Limited.

As at the Latest Practicable Date, so far as is known to any of the Directors, the Company had not been notified of any other person (other than the Directors or chief executive of the Company) who had an interest or a short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged Group, or which was recorded in the Register pursuant to section 336 of the SFO.

III. COMPETING INTEREST

The following Directors are also directors and/or officers of China Vanke and/or its subsidiaries and affiliates as set out in the table below.

Name of Director	Position held in China Vanke and/or its subsidiaries and affiliates
Mr. Zhang Xu	Executive Director, Executive Vice President and Chief Operating Officer
Ms. Que Dongwu	Vice President and General Manager of Overseas Business Department
Mr. Chan Chi Yu	Director of certain subsidiaries and affiliates of China Vanke
Mr. Lee Kai-Yan	Director of subsidiaries of China Vanke
Ms. Lin Lily	Director of subsidiaries of China Vanke

The Company and its subsidiaries are principally engaged in asset management, property development and investment in Hong Kong, the United Kingdom and the United States of America. As at the Latest Practicable Date, the Group owns an investment property in Hong Kong and a 20% interest in a property under development in Hong Kong. The Group also owns an investment property in London, the United Kingdom and holds property investment in the United States of America. China Vanke and VPHK and its subsidiaries (excluding the Group) are also involved in property development and property investment business in Hong Kong, the United Kingdom and the United States of America. As a result, this may constitute competing business between the two groups.

VPHK is an indirect wholly-owned subsidiary of China Vanke. Mr. Zhang Xu and Ms. Que Dongwu, both being executives of China Vanke, are common directors of the Company and VPHK. Mr. Chan Chi Yu is a director of certain subsidiaries and affiliates of China Vanke, and each of Mr. Lee Kai-Yan and Ms. Lin Lily is connected to China Vanke by virtue of his/her current position as director of subsidiaries of China Vanke. Mr. Zhang Xu, Ms. Que Dongwu and Mr. Chan Chi Yu have beneficial interests in the issued shares of China Vanke.

Mr. Lee Kai-Yan and Ms. Lin Lily, the executive Directors, and Mr. Chan Wai Hei, William, Ms. Law Chi Yin, Cynthia and Mr. Zhang Anzhi, the independent non-executive Directors, do not participate in the routine business of VPHK. The independent non-executive Directors, with the assistance of the chief financial officer and company secretary of the Company, exercise due care and skills in ensuring that the Group is capable of carrying on its business at arm's length and independently from VPHK.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not (i) aware of any other business of China Vanke which competes or is likely to compete, either directly or indirectly, with the Group's businesses; or (ii) aware that any of them had interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group which would fall to be disclosable under the Listing Rules.

IV. INTERESTS IN CONTRACT OR ARRANGEMENT AND ASSETS

On 31 December 2018, the Group renewed the agreement relating to the sharing of administrative services with VPHK on a cost basis for a period of three years commencing from 1 January 2019, which is terminable by either party on giving no less than one month's notice.

The Company is an indirect 75% owned subsidiary of VPHK, which in turn is an indirect wholly-owned subsidiary of China Vanke. Mr. Zhang Xu and Ms. Que Dongwu are directors of VPHK and each of them is an executive of China Vanke and beneficially interested in the issued shares of China Vanke. Each of Mr. Lee Kai-Yan and Ms. Lin Lily commonly serves as directors of the subsidiaries of China Vanke. Mr. Chan Chi Yu is a director of certain subsidiaries and affiliates of China Vanke and is beneficially interested in the issued shares of China Vanke.

The followings are the interests of the Directors in certain co-investment arrangement of the Group:

(a) approximately 0.05% of the effective interest in Lithium TopCo Limited, a subsidiary of the Company that indirectly owns Ryder Court in London is indirectly owned by certain employees of China Vanke including Ms. Lin Lily;

(b) approximately 0.295% of the effective interest in the Mission property in San Francisco is indirectly owned by certain employees of China Vanke including Mr. Lee Kai-Yan;

(c) approximately 0.83% of the effective interest in the investment instruments for funding the development of Park Row property in New York is indirectly owned by certain employees of China Vanke including Ms. Que Dongwu and Mr. Lee Kai-Yan, respectively;

(d) approximately 20% of the effective interest in Vanke US Management LLC, an 80%-owned subsidiary of the Company, is indirectly owned by key members of the Overseas Management Team including Mr. Lee Kai-Yan; and

(e) approximately 20% of the effective interest in Vanke Overseas UK Management Limited, an 80%-owned subsidiary of the Company, is indirectly owned by key members of the Overseas Management Team including Ms. Lin Lily.

Save as disclosed above and except for the Sale and Purchase Agreement and the Supplemental Management Services Framework Agreement, none of the Directors was materially interested in any contracts or arrangement entered into by any member of the Enlarged Group which is subsisting as at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group.

Save as disclosed above and except for the Sale and Purchase Agreement, none of the Directors has any direct or indirect interest in any assets which have been, since 31 December 2018, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by, or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by, or leased to any member of the Enlarged Group.

V. LITIGATION

As at the Latest Practicable Date, no litigation or claim which may be of material importance is known to the Directors to be pending or threatened against any member of the Enlarged Group.

VI. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Group were made up.

VII. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered, or is proposing to enter, into any service contract with the Enlarged Group which is not expiring or may not be terminated by the Company within a year without payment of any compensation (other than statutory compensation).

VIII. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Enlarged Group within the two years immediately preceding the date of this circular and are, or may be, material:

(a) the agreement dated 7 March 2019 entered into between Vanke UK Investment Company Limited and VPHK in respect of acquisition of Lithium TopCo Limited at a consideration of approximately £42.38 million (subject to adjustment);

(b) the agreement dated 7 March 2019 entered into between Vanke US Investment Company Limited and VPHK in respect of acquisition of 657–667 Mission Street Venture LLC at a consideration of approximately US$22.22 million (subject to adjustment);

(c) the agreement dated 7 March 2019 entered into between Vanke US Investment Company Limited and Chogori Investment (Hong Kong) Limited in respect of the acquisition of Supreme J Limited at a consideration of approximately US$67.07 million (subject to adjustment);

(d) the agreement dated 5 June 2019 entered into between, among others, the Target as purchaser and an Independent Third Party as vendor for the acquisition of Realty Asset at a consideration of approximately HK$580 million (subject to adjustment);

(e) the supplemental agreement dated 16 July 2019 entered into between, among others, the Target as purchaser and an Independent Third Party as vendor to supplement and amend the sale and purchase agreement as detailed in sub-paragraph (d) above;

(f) the Management Services Framework Agreement;

(g) the Sale and Purchase Agreement; and

(h) the Supplemental Management Services Framework Agreement.

IX. EXPERTS AND CONSENTS

The names and qualifications of the professional advisers who have been named in this circular or given its opinion or advice which are contained in this circular are set forth below:

Name	**Qualification**
Success New Spring Capital Limited	Independent financial adviser
KPMG	Certified Public Accountants, Hong Kong
Knight Frank Petty Limited	Valuer

Each of the above experts has given and has not withdrawn their respective written consent to the issue of this circular with the inclusion of their letter and/or reference to their respective names or opinions in the form and context in which they appear.

As at the Latest Practicable Date:

(a) the experts above did not have any direct or indirect interests in any assets which have been, since 31 December 2018 (being the date to which the latest published audited financial statements of the Group were made up), acquired, disposed of or leased to, or which are proposed to be acquired, disposed of by or leased to, any member of the Enlarged Group; and

(b) the experts did not have any shareholding in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

X. GENERAL

(a) The company secretary of the Company is Mr. Chan Wing Kit, who holds a Bachelor Degree in Laws from The University of Hong Kong and is qualified to practice as a solicitor in Hong Kong.

(b) The registered office of the Company is situated at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

(c) The principal place of business of the Company is situated at 55th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong.

(d) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(e) The English texts of this circular shall prevail over the Chinese texts in case of inconsistency.

XI. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours of the Company at the place of business of the Company at 55/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong for a period of 14 days from the date of this circular:

(a) the memorandum and articles of association of the Company;

(b) the agreement dated 7 March 2019 entered into between Vanke UK Investment Company Limited and VPHK in respect of acquisition of Lithium TopCo Limited;

(c) the agreement dated 7 March 2019 entered into between Vanke US Investment Company Limited and VPHK in respect of acquisition of 657–667 Mission Street Venture LLC;

(d) the agreement dated 7 March 2019 entered into between Vanke US Investment Company Limited and Chogori Investment (Hong Kong) Limited in respect of the acquisition of Supreme J Limited;

(e) the agreement dated 5 June 2019 entered into between, among others, the Target as purchaser and an Independent Third Party as vendor for the acquisition of Realty Asset at a consideration of approximately HK$580 million (subject to adjustment);

(f) the supplemental agreement dated 16 July 2019 entered into between, among others, the Target as purchaser and an Independent Third Party as vendor to supplement and amend the sale and purchase agreement as detailed in sub-paragraph (e) above;

(g) the Management Services Framework Agreement;

(h) the Sale and Purchase Agreement;

(i) the Supplemental Management Services Framework Agreement;

(j) the letter from the Independent Board Committee dated 30 September 2019, the text of which is set out in the section headed "Letter from the Independent Board Committee" of this circular;

(k) the letter from Success New Spring Capital dated 30 September 2019, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" of this circular;

(l) the annual reports of the Company for the two financial years ended 31 December 2017 and 2018 and the interim report of the Company for the six months ended 30 June 2019;

(m) the Accountants' Report of each of the Target Former Group and Realty Asset from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, the text of which are set out in Appendices II and III to this circular respectively;

(n) the report on the unaudited pro forma financial information of the Enlarged Group illustrating the effect of the Acquisition from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, the text of which is set out in Appendix V to this circular;

(o) the valuation report from Knight Frank on the Property, the text of which is set out on Appendix VI to this circular;

(p) the written consent of each of the experts referred to in the paragraph headed "Experts and Consents" in this Appendix;

(q) the circular of the Company dated 21 May 2019 in relation to a very substantial acquisition and connected transaction and continuing connected transactions of the Company; and

(r) this circular.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of the shareholders of Vanke Property (Overseas) Limited (the "**Company**") will be held at 1804A, 18/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong on Thursday, 31 October 2019 at 10:00 a.m. for the purposes of considering and, if thought fit, approving the matters set out below.

ORDINARY RESOLUTIONS

1. "**THAT** the Sale and Purchase Agreement (the "**SPA**") dated 29 August 2019 entered into between Vanke Hong Kong Investment Company Limited and Wkinv HK Holdings Limited, a copy of which is marked "A" and initialled by the chairman of the meeting for the purpose of identification, and the terms and transactions contemplated thereunder be and are hereby approved and confirmed."

2. "**THAT** the Supplemental Management Services Framework Agreement dated 29 August 2019 entered into among (i) Vanke Overseas Management Holding Company Limited, Vanke Overseas UK Management Limited, Vanke US Management LLC (collectively, the "**VPO Parties**"); (ii) Vanke Property (Hong Kong) Company Limited ("**VPHK**"), Vanke Holdings USA LLC, Chogori Investment (Hong Kong) Limited (collectively, the "**VPHK Parties**"); and (iii) Vanke Holdings (Hong Kong) Company Limited ("**VPO HK**"), a copy of which is marked "B" and initialled by the chairman of the meeting to amend and restate the management services framework agreement entered into between the VPO Parties and the VPHK Parties dated 7 March 2019 to extend the scope of services and revise the annual caps (the "**Revised Annual Caps**") for the continuing connected transactions contemplated thereunder, pursuant to which in addition to the Overseas Management Services, VPHK will retain VPO HK (who will enter into employment contracts with HK Management Team by the time of completion of the SPA) on an exclusive basis for provision of the HK Management Services to VPHK (including other subsidiaries of China Vanke which may become interested in any property development and/or investment projects in Hong Kong) with effect from the date of completion of the SPA until 31 December 2021, be and are hereby approved and confirmed."

3. "**THAT** each and every executive director of the Company (the "**Executive Director**") (either alone or jointly with another Executive Director) be and is hereby authorised to sign and execute such other documents and supplemental agreements and deeds (including the affixation of the common seal of the Company where

execution under seal is required) for and on behalf of the Company and to do all such things and take all such actions as he/she may consider necessary, desirable or expedient for the purpose of carrying out or giving effect to or otherwise in connection with the SPA and the Supplemental Management Services Framework Agreement and the transactions contemplated thereunder and the Revised Annual Caps."

SPECIAL RESOLUTION

4. "**THAT** subject to and conditional upon the necessary approval of the Registrar of Companies in the Cayman Islands being obtained, (i) the English name of the Company be changed from "Vanke Property (Overseas) Limited" to "Vanke Overseas Investment Holding Company Limited"; and (ii) the dual foreign name of the Company in Chinese be changed from "萬科置業(海外)有限公司" to "萬科海外投資控股有限公司" (together, the "**Change of Company Name**"), with effect from the date of issue of the certificate of incorporation on change of name by the Registrar of Companies in the Cayman Islands, and each and every executive director be and is hereby authorised to do all such acts, deeds and things and execute all documents they consider necessary or expedient to give effect to the Change of Company Name and to attend to any necessary registration and/or filing for and on behalf of the Company."

By order of the board of
Vanke Property (Overseas) Limited
Que Dongwu
Executive Director and Chief Executive Officer

Hong Kong, 30 September 2019

Notes:

(i) A member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy does not need to be a member of the Company.

(ii) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney of authority, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not less than 48 hours before the time appointed for holding the meeting and any adjourned meeting.

(iii) For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 28 October 2019 to Thursday, 31 October 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 25 October 2019.

(iv) All votes at the meeting are to be taken by poll.

As 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 and 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