THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed dealer in securities, bank manager, solicitor, professional accountant or other professional advisor.

If you have sold or transferred all your shares in Vanke Property (Overseas) Limited, you should at once hand this circular and the accompanying form of proxy 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.

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)

MAJOR AND CONNECTED TRANSACTION — PROPOSED ACQUISITION OF 20% INTEREST IN TW6 PROJECT

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser

HALCYON 鎧盛

Halcyon Capital Limited

A notice convening the extraordinary general meeting of Vanke Property (Overseas) Limited to be held at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong at 10:30 a.m. on Friday, 21 June 2013 is set out on pages EGM-1 to EGM-2 of this circular.

If you are not able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and, in any event, not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

4 June 2013

CONTENTS

In this circular and the appendices to it, unless the context otherwise requires, the following expressions have the following meanings:

"1-month HIBOR"	the HIBOR shown on the Reuters Screen as at 11:00 a.m. (Hong Kong time) on the first day (or if such day is not a Business Day, the first Business Day immediately following such date) of each Instalment Interest Period, Loan Interest Period or Guarantee Advance Interest Period (as the case may be) for the offering of deposits in HK$ for 1-month period;
"associates"	has the meaning ascribed to it under the Listing Rules unless otherwise specified;
"Auditor"	KPMG, Certified Public Accountants;
"Board"	board of Directors;
"Business Day"	a day (other than a Saturday or a Sunday) on which banks are generally open for business in Hong Kong;
"China Vanke"	China Vanke Co., Ltd., a joint stock company incorporated in the PRC and the issued shares of which are listed on the Shenzhen Stock Exchange. China Vanke is the ultimate holding company of the Company;
"China Vanke Group"	China Vanke and its subsidiaries;
"Company"	Vanke Property (Overseas) Limited, a company incorporated in Cayman Islands with limited liability whose shares are listed on the main board of the Stock Exchange (stock code: 01036);
"Completion"	completion of the Proposed Acquisition;
"connected person"	has the meaning ascribed to it under the Listing Rules;
"Consideration"	the total consideration payable for the Proposed Acquisition, which shall be HK$722,000,000 as at the date of the Sale and Purchase Agreement (subject to upward adjustment);
"Director(s)"	director(s) of the Company;
"EGM"	the extraordinary general meeting of the Company to be held at 10:30 a.m. on Friday, 21 June 2013 at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong for the purpose of considering and, if thought fit, approving, the terms of the Sale and Purchase Agreement, the Proposed Acquisition and the transactions contemplated thereunder;

"Enlarged Group"	the Group as enlarged by the Proposed Acquisition upon Completion;
"Group"	the Company and its subsidiaries;
"Guarantee Advance"	has the meaning ascribed to such term under the paragraph headed "Guarantee" in the section headed "The Sale and Purchase Agreement";
"Guarantee Advance Interest Period"	has the meaning ascribed to such term under the paragraph headed "Guarantee" in the section headed "The Sale and Purchase Agreement";
"HIBOR"	Hong Kong Interbank Offer Rate;
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Independent Board Committee"	a board committee comprising of the independent non-executive Directors constituted to make recommendations to the Independent Shareholders in respect of the Proposed Acquisition;
"Independent Financial Advisor"	Halcyon Capital Limited, a corporation licensed under the SFO to conduct type 6 (advising on corporate finance) regulated activity as defined under the SFO;
"Independent Shareholders"	Shareholders other than China Vanke, the Vendor, Wkland Limited, Wkland Investments and their respective associates;
"Independent Valuer"	Vigers Appraisal & Consulting Limited, a professional property valuer;
"Instalment Interest Period"	has the meaning ascribed to such term under the paragraph headed "Consideration" in the section headed "The Sale and Purchase Agreement";
"JV Partner"	Ultimate Sail Limited, the joint venture partner in respect of the development of TW6 Project which is legally holding 80% equity interest in Ultimate Vantage, or as the context requires, New World Development Company Limited (being the 100% holding company of Ultimate Sail Limited);
"Latest Practicable Date"	31 May 2013, the latest practicable date for ascertaining certain information for inclusion in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;

"Loan Interest Period"	has the meaning ascribed to such term under the paragraph headed "Consideration adjustment" in the section headed "The Sale and Purchase Agreement";
"MTRC Entities"	means, as the context requires, all or any of the following: 1. MTR Corporation Limited; 2. Kowloon-Canton Railway Corporation; 3. West Rail Property Development Limited; and 4. Tsuen Wan West TW6 Property Development Limited, and successor entity of any of the above companies;
"PRC"	the People's Republic of China and for the purpose of this circular, exclude Hong Kong, Macau Special Administrative Region and Taiwan;
"Proposed Acquisition"	the proposed acquisition of the entire issued share capital of the Target Company and all the Shareholder's Loan by the Purchaser (or its nominee) from the Vendor pursuant to the Sale and Purchase Agreement;
"Purchaser"	Mainland Investments Group Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company;
"Sale and Purchase Agreement"	the sale and purchase agreement dated 16 May 2013 entered into between the Purchaser as purchaser and the Vendor as seller in respect of the sale and purchase of the entire issued share capital of the Target Company, incorporating an assignment of all Shareholder's Loan;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Share(s)"	ordinary shares of HK$0.01 each in the issued share capital of the Company;
"Shareholders"	holders of the Shares;

"Shareholder's Loan"	the shareholder's loan outstanding and owing as at Completion by the Target Company to the Vendor (and its associates), which shall be approximately HK$722,000,000 at the date of the Sale and Purchase Agreement (including interest accrued up to the date immediately before the date of the Sale and Purchase Agreement), plus further loans to be made by the Vendor to the Target Company for the purpose of financing its investment in TW6 Project (which loans are to be approved by the Company in advance), and interest to be accrued on the Shareholder's Loan outstanding from time to time from the date of the Sale and Purchase Agreement until Completion;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Target Company"	Wkdeveloper Limited, a company incorporated in the British Virgin Islands with limited liability;
"TW6 Project"	the West Rail Tsuen Wan West Station TW6 Property Development (to be known as Tsuen Wan Town Lot No. 402), one of the property development projects of MTRC Entities, and the business and operations in connection with such project;
"Ultimate Vantage"	Ultimate Vantage Limited, a company incorporated in Hong Kong with limited liability and whose issued share capital is legally owned as to 20% by the Target Company and 80% by the JV Partner, which has been granted the rights to develop the TW6 Project by the legal owner of the relevant land lot and its associates;
"Vendor"	Vanke Property (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability, which is legally holding 100% equity interest in Wkland Limited which in turn is holding 100% equity interest in Wkland Investments (the registered holder of 75% of the issued Shares);
"Wkland Investments"	Wkland Investments Company Limited, a company incorporated in Hong Kong with limited liability, which is legally holding 194,763,966 Shares, representing 75% of the issued share capital of the Company;
"%"	per cent.

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
Ms. Que Dong Wu

Non-Executive Directors:
Mr. Wang Wen Jin
Mr. Chan Chi Yu

Independent Non-Executive Directors:
Mr. Chan Wai Hei, William
Mr. Chung Wai Sum, Patrick
Mr. Shium Soon Kong

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

Place of Business in Hong Kong:
55/F, Bank of China Tower,
1 Garden Road,
Central, Hong Kong

Hong Kong, 4 June 2013

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION — PROPOSED ACQUISITION OF 20% INTEREST IN TW6 PROJECT

We refer to the announcement of the Company dated 16 May 2013 in relation to the Proposed Acquisition under the Sale and Purchase Agreement dated 16 May 2013 entered into between the Vendor and the Purchaser, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase (or procure its nominee to purchase) the entire issued share capital of the Target Company and all Shareholder's Loan for a total consideration of HK$722,000,000 (subject to upward adjustment).

The purpose of this circular is to provide you with, among other things, (i) further details of the transactions contemplated under the Sale and Purchase Agreement; (ii) a letter from the Independent Board Committee with its recommendation to the Independent Shareholders; (iii) a letter from the Independent Financial Advisor containing its advice to the Independent Board Committee and the Independent Shareholders; (iv) financial information of the Group and the Target Company; (v) unaudited pro forma financial information of the Enlarged Group; (vi) the valuation report in respect of the land lot underlying the TW6 Project; and (vii) the notice of the EGM.

THE SALE AND PURCHASE AGREEMENT

On 16 May 2013, the Company entered into the Sale and Purchase Agreement in respect of the Proposed Acquisition. Set out below is a principal summary of certain terms and information relating to the Sale and Purchase Agreement and the transactions contemplated thereunder.

Date: 16 May 2013

Parties:

Vendor: Vanke Property (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability

Purchaser: Mainland Investments Group Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company

Interests to be acquired of: The entire issued share capital of the Target Company, and all the Shareholder's Loan

Consideration: The aggregate Consideration for the entire issued share capital of the Target Company and all the Shareholder's Loan is HK$722,000,000 (subject to upward adjustment) payable by the Purchaser in cash in the following manner:

(a) as to HK$572,000,000 and the amount of upward adjustment will be payable in cash upon Completion; and

(b) as to HK$150,000,000 will be payable in cash within 3 Business Days from the date on which not less than HK$150,000,000 in aggregate of the shareholder's loan advanced from the Target Company to Ultimate Vantage having been repaid to and actually received by the Target Company.

For the avoidance of doubt, the outstanding instalment of the Consideration set out in paragraph (b) above shall bear a simple interest, accruing from the date of Completion to the date of actual payment of such outstanding instalment. Such simple interest should be accrued afresh for a period of every 30 days during which the instalment is outstanding (the "**Instalment Interest Period**"), commencing from the date of Completion, at the rate of 1-month HIBOR plus 2.8% per annum. In case the actual payment date does not fall on the expiry date of the last Instalment Interest Period, the interest for that Instalment Interest Period should be reduced proportionally based on the number of days on which such instalment is outstanding.

The Group had bank balances and cash of HK$362 million and undrawn banking facilities of HK$300 million as at 30 April 2013, which would be utilised for the purpose of settling the consideration of HK$572 million and the amount of upward adjustment payable upon Completion. The balance of the consideration of HK$150 million will be settled by the Group after the Target Company having actually received the repayment of an equivalent amount of the shareholder's loans from Ultimate Vantage. The Company has no present intention to conduct any fund-raising activities for financing the Proposed Acquisition.

Consideration adjustment: The Consideration is subject to upward adjustment as follows:

(i) by the amount of interest accrued on the Shareholder's Loan from the date of the Sale and Purchase Agreement until the date of Completion at the rate of 1-month HIBOR plus 2.8% per annum;

(ii) if from the date of the Sale and Purchase Agreement and until the date of Completion, the Vendor has provided further shareholder's loan(s) to the Target Company for the purpose of financing its investment in TW6 Project (which loans should have been approved by the Company in advance), on a dollar-for-dollar basis by the principal amount of such loan(s) and the interest accrued thereon at the rate of 1-month HIBOR plus 2.8% per annum.

Simple interest should be accrued afresh for a period of every 30 days during which the principal amount of the Shareholder's Loan (or any part thereof) is outstanding (the "**Loan Interest Period**"), commencing from the date of advance or the date of the Sale and Purchase Agreement, as the case may be, until the date of Completion. In case Completion does not fall on the expiry date of the last Loan Interest Period, the interest for that Loan Interest Period should be reduced proportionally based on the number of days on which such Shareholder's Loan (or any part thereof) is outstanding.

It is impracticable for the parties to set a cap for the amount of further shareholder's loan to be provided by the Vendor to the Target Company at such a preliminary stage of the TW6 Project. However, it is unlikely that the amount of the upward adjustment on the Consideration payable upon Completion, which is to take place on or before 30 September 2013 unless being extended by the parties in writing, will have the effect of turning the Proposed Acquisition from a "major transaction" to a "very substantial acquisition" under the Listing Rules.

The amount of the Consideration was determined after arms' length negotiations between the parties, with regard to the investment already made (whether by equity or by debt) by the Vendor in the TW6 Project, which comprises (1) the contributions to the Target Company to allow Ultimate Vantage to settle payments due under the TW6 Project to the MTRC Entities (20% of which amounting to approximately HK$716.9 million), (2) relevant costs of approximately HK$2.8 million paid by the Vendor in participating in the TW6 Project and (3) funding costs of the Vendor amounting to approximately HK$2.3 million on the provision of Shareholder's Loan from the date of advance(s) to the date of the Sale and Purchase Agreement (calculated at the rate of HIBOR for the relevant period plus 2.8% per annum).

Conditions precedent: Completion of the Sale and Purchase Agreement is subject to and conditional upon:

(a) the approval of the Independent Shareholders for entering into the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained at the EGM duly convened in accordance with the Listing Rules;

(b) the approval of MTRC Entities (to the extent applicable) for the Proposed Acquisition having been obtained and become unconditional;

(c) the approval of the JV Partner for the Proposed Acquisition having been obtained and become unconditional;

(d) the approval of the board of directors of China Vanke for the provision of guarantee and assistance by the Vendor for the obligations of the Purchaser and the Company under the TW6 Project after Completion having been obtained and become unconditional;

(e) without prejudice to paragraphs (a) to (d) above, all the consents, approvals, authorisations from third parties required for the Purchaser entering into the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained and become unconditional; and

(f) without prejudice to paragraphs (a) to (d) above, all the consents, approvals, authorisations from third parties required for the Vendor entering into the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained and become unconditional.

None of the conditions set out above can be waived by any parties. If the conditions set out above have not been fulfilled on or before 30 September 2013 or such later date as the Purchaser and the Vendor may agree in writing, the Sale and Purchase Agreement will lapse in which case none of the parties thereto shall have any claim against the other party, save in respect of any antecedent breaches.

Completion: Completion will take place on the third Business Day or such other day as agreed between the Purchaser and the Vendor in writing following the fulfilment of all conditions precedent to the Sale and Purchase Agreement.

Upon completion of the Sale and Purchase Agreement, the issued share capital of the Target Company and the Shareholder's Loan will be legally and beneficially owned as to 100% by the Purchaser (and/or its nominee).

Guarantee: If required by any of the MTRC Entities and the JV Partner, the Vendor will act as guarantor of the Purchaser and/or the Company in favour of MTRC Entities and the JV Partner, with no security to be provided by the Purchaser or the Company, in respect of any of the obligations of the Purchaser and/or the Company in the TW6 Project after Completion. The Vendor will also, with no security to be provided by the Purchaser or the Company, execute such documents (in form and substance satisfactory to the Vendor and the Purchaser) as required by any of the MTRC Entities and the JV Partner in this respect. However, in case the Vendor makes any actual payment for and on behalf of the Purchaser and/or the Company pursuant to such guarantee(s), such payment will be regarded as an advance (the "**Guarantee Advance**") to the Purchaser and/or the Company on the date of the Vendor making such actual payment. Such Guarantee Advance will accrue interest at the rate of 1-month HIBOR plus 2.8% per annum from the date of such advance until the date of repayment (which should be determined by the Purchaser solely but in no event be later than the date of payment of the outstanding instalment of the Consideration). Such Guarantee Advance could be repaid partially in any integral amounts of HK$1,000,000 (which should be determined by the Purchaser solely). Simple interest should be accrued afresh for a period of every 30 days during which the principal amount of the Guarantee Advance (or any outstanding portion thereof) is outstanding (the "**Guarantee Advance Interest Period**"), commencing from the date of such Guarantee Advance until the date of repayment (if applicable, of any portion thereof). It is impracticable for the parties to set a cap for the amount of Guarantee Advance at such a preliminary stage of the TW6 Project. In case the date of repayment of a Guarantee Advance (or any outstanding portion thereof) does not fall on the expiry date of the last Guarantee Advance Interest Period, the interest for that Guarantee Advance Interest Period should be reduced proportionally based on the number of days on which such Guarantee Advance (or any outstanding portion thereof) is outstanding.

INFORMATION OF THE TARGET COMPANY, ULTIMATE VANTAGE AND TW6 PROJECT

The principal assets held by the Target Company (which is an investment holding company) are the 20% equity interest in Ultimate Vantage and the shareholder's loans advanced by the Target Company to Ultimate Vantage for the purpose of financing the acquisition costs of the TW6 Project.

Ultimate Vantage is a special purpose vehicle beneficially owned as to 20% by the Target Company and 80% by the JV Partner, and is currently engaged in property development after it has acquired the rights to develop and participate in the TW6 Project, through a tender run and operated by the MTRC Entities. The Vendor, through the Target Company which holds 20% interest in Ultimate Vantage, invested approximately HK$716.9 million into the TW6 Project which has been fully settled on or before 16 April 2013). Under the relevant contracts with MTRC Entities, Ultimate Vantage is required to provide 5% of the total net profits in respect of the TW6 Project to Tsuen Wan West TW6 Property Development Limited, one of the MTRC Entities, and the remaining net profits (after deduction of 5% thereof as aforesaid) will then be shared between the JV Partner and the Purchaser (or its nominee) in the ratio of 80:20.

The TW6 Project involves the non-industrial development of a land lot (to be known as Tsuen Wan Town Lot No. 402) located near the West Rail Tsuen Wan West Station, Tsuen Wan, New Territories, Hong Kong. Upon completion of such development, residential building(s) with a total gross floor area of no less than 37,627 square metres and no more than 62,711 square metres will have been constructed. Subject to the aforesaid, the total number of residential units available shall not be less than 894, of which not less than 520 residential units shall each be in the size of not exceeding 50 square meters in saleable area. Based on the current estimation, the maximum total capital commitment for the Target Company for the TW6 Project (excluding the aforementioned total acquisition costs) is expected to be approximately HK$740 million. Ultimate Vantage has already commenced preliminary planning works for the TW6 Project as at the Latest Practicable Date, and it is expected that the project will be completed in any event before April 2019.

As at the Latest Practicable Date, Ultimate Vantage has already entered into legally-binding development agreements with MTRC Entities, the Vendor and the JV Partner (as the case may be) in respect of the proposed development of the TW6 Project, in which the rights and obligations of Ultimate Vantage, MTRC Entities, the JV Partner and the Vendor are set out.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the JV Partner and MTRC Entities is a third party independent of the Company and its connected persons (as defined in the Listing Rules).

Upon completion of the Sale and Purchase Agreement, the Purchaser (and/or its nominee) will step into the position of the Vendor in respect of the TW6 Project. As a result, the Purchaser (and/or its nominee) will need to (a) bear the obligation of providing 20% of the estimated maximum capital commitment for Ultimate Vantage (i.e. approximately HK$740 million), and (b) re-execute with MTRC Entities, Ultimate Vantage and the JV Partner (as the case may be) all the documents required for the development of the TW6 Project. In this regard, the Vendor has agreed with the Purchaser under the Sale and Purchase Agreement that, among other things:

(a) if required, the Vendor will act as guarantor of the Purchaser and/or the Company in favour of MTRC Entities and the JV Partner (as the case may be), with no security to be provided by the Purchaser or the Company, in respect of the Purchaser's obligations in the TW6 Project after completion of the Proposed Acquisition;

(b) the Vendor will use its best endeavours to procure MTRC Entities and the JV Partner (to the extent practicable) to execute with the Purchaser and the Company all the necessary documents to provide the Purchaser and the Company with such right of participation in the TW6 Project, including but not limited to any variations, supplements or amendments to development agreements already executed between the relevant parties. In this respect, the Purchaser will bear all the costs, and will reimburse the Vendor accordingly, for execution of any of such documents;

(c) during the period from the date of the Sale and Purchase Agreement to the date of Completion, the Vendor shall not, and shall procure the Target Company not to, agree to be bound by any additional obligations to be borne by it in its capacity as the 20% beneficial holder of the development rights in the TW6 Project (and which will be assumed by the Purchaser and/or the Company upon Completion). To the extent practicable during the period from the date of the Sale and Purchase Agreement to the date of Completion, the Vendor shall inform the Purchaser of the progress of negotiations of such additional obligations, convey all of the Purchaser's comments thereto, and procure that the Purchaser is allowed to participate in such negotiation process with the relevant parties; and

(d) after Completion, the Vendor will provide necessary assistance to the Purchaser and/or the Company in fulfilling their obligations under the TW6 Project upon reasonable request and, in case of any advance made by the Vendor in favor of the Group, such advance will be unsecured in nature and bear a simple interest at the rate of 1-month HIBOR plus 2.8% per annum in the same manner as if it was a Guarantee Advance.

Set out below is financial information of the Target Company and Ultimate Vantage based on their respective unaudited management accounts for the period commencing from the date of its incorporation and ended 16 April 2013:

	Target Company (date of incorporation on 15 October 2012) Unaudited (HK$'000)	Ultimate Vantage (date of incorporation on 9 November 2012) Unaudited (HK$'000)
For the period commencing from the date of its incorporation and ended 16 April 2013		
Loss before taxation	—	3.5
Loss after taxation	—	3.5

Note: *All the expenses of the Target Company (except for the preliminary expenses of HK$15,600 which have been borne by the Vendor) are capitalised, and it has had no revenue up to 16 April 2013.*

According to the unaudited management accounts of the Target Company as at 16 April 2013, the total assets of the Target Company were approximately HK$720.4 million, its total liabilities were approximately HK$720.4 million. The financial information of the Target Company is set out in Appendix II to this circular.

According to the unaudited management accounts of Ultimate Vantage as at 16 April 2013, the total assets of Ultimate Vantage were approximately HK$3,584.5 million, its total liabilities were approximately HK$3,584.5 million.

VALUATION OF TW6 PROJECT

The valuation report showing the market value of the property interest held by Ultimate Vantage as at 16 April 2013 is set out in Appendix V to this circular. As shown in the appendix, the market value was assessed by the Independent Valuer to be HK$3,600 million, 20% portion of which amounted to HK$720 million. As a result, the consideration of HK$722 million as at the date of the Sale and Purchase Agreement (subject to upward adjustment), which was negotiated on an arm's length basis by reference to investment already made by the Vendor in the TW6 Project, represents a premium of 0.3% on the market value of the property interest in TW6 Project held by the Target Company as at 16 April 2013.

FINANCIAL EFFECT OF THE PROPOSED ACQUISITION

After completion of the Proposed Acquisition, the Target Company will become a wholly-owned subsidiary of the Company whereas Ultimate Vantage will become an associate (has the meaning ascribed to it under accounting standards) of the Company. The unaudited pro forma financial information of the Enlarged Group illustrating the financial impact of the Proposed Acquisition on the assets and liabilities of the Group is set out in Appendix IV to this circular.

As shown in the appendix, assuming that completion of the Proposed Acquisition had taken place on 31 December 2012, the total assets of the Group would have been increased from approximately HK$1,327.6 million to approximately HK$2,007.6 million, the total liabilities of the Group would have been increased from approximately HK$48.7 million to approximately HK$728.7 million whereas the net assets of the Group would remain unchanged at approximately HK$1,278.9 million.

Upon Completion, the Group will pay HK$572 million (subject to upward adjustment) to satisfy part of the Consideration in cash out of its existing resources and available banking facilities. As illustrated in the unaudited pro forma financial information of the Enlarged Group, the Group's total borrowings, including amount due to an intermediate company, would be increased from nil to HK$680 million and bank balances and cash would be decreased from HK$50 million to HK$8.2 million upon completion of the Proposed Acquisition. As a result, the Group would turn from a net cash position of HK$50 million as at 31 December 2012 to a pro forma net borrowing position of HK$671.8 million as at 31 December 2012, on the assumption that completion of the Proposed Acquisition took place on 31 December 2012. No upward adjustment has been taken into account in the calculation of the financial effect of the Proposed Acquisition, as the amount of which can only be ascertained upon Completion.

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

The Group is principally engaged in property investment and management activities. As at the date hereof, the principal asset of the Group is various units in Regent Centre, Kwai Chung, New Territories, Hong Kong, which are investment properties for generating rental income. After China Vanke (through its wholly-owned subsidiaries) completed the acquisition of the controlling stake in the Company in July 2012, the Company has been intending to expand its business from property investment to property development so as to broaden its income source for the purpose of creating more value for the Shareholders. Since then, the Company, with the assistance of China Vanke, has considered property development opportunities in Hong Kong with the identification of the TW6 Project as a suitable opportunity for the Company, having regard to the location of the land, the size and the total financial commitment (taking into account the 20% involvement only). The maximum total costs to be borne by the Group in the TW6 Project will be approximately HK$1,460 million (being the aggregate of (a) the 20% of the total maximum capital commitment amounting to approximately HK$740 million and (b) the Consideration (which has already included the 20% of the acquisition costs and is subject to upward adjustment)). It is currently intended that such costs will be funded partly by internal resources and banking facilities available to the Group and partly by bank borrowings to be obtained by Ultimate Vantage.

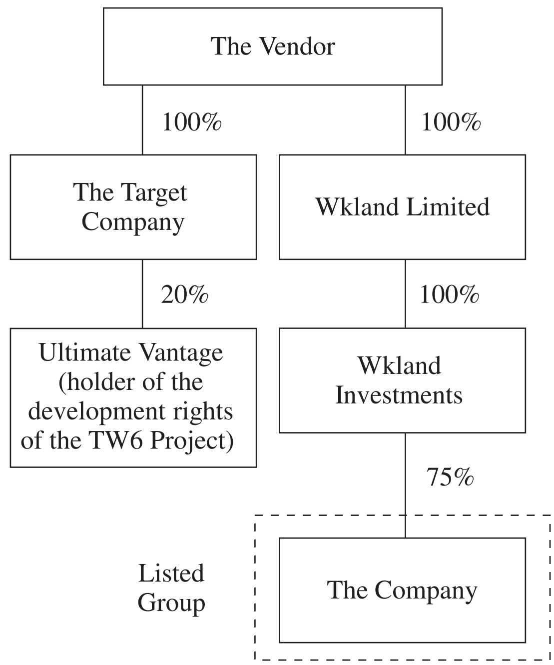
China Vanke is one of the largest property developers in the PRC whereas the Vendor is its wholly-owned offshore subsidiary currently engaged in investment holding of various property development projects in PRC and property development projects in the United States and Singapore (excluding the TW6 Project). China Vanke and the Vendor are the holding companies of the Company, and hence not being a part of the listed group controlled by the Company. Transferring the 20% interest in the TW6 Project from the Vendor to the Company could clearly delineate the businesses between the Group and the China Vanke Group (excluding the Group), with the former having a primary focus on property businesses in Hong Kong while the latter having a primary focus on property businesses in PRC and overseas, other than in Hong Kong. Given that China Vanke Group (excluding the Group) has no other property development project in Hong Kong (save for the TW6 Project), China Vanke Group (excluding the Group) currently has no intention to transfer other development projects in Hong Kong to the Group.

Although the Company is optimistic on the outlook of the Hong Kong property market, such market could still be affected by government policies to stabilise and regulate the property market, macro-economic events such as change of the low interest rate environment, the European sovereign debt crisis and the growth trajectory of the PRC economy, and some other unforeseen factors. In case there is any downturn of the Hong Kong economy and the property market as a result of these policies and events, the Group's financial performance and the expected return from the TW6 Project could be materially and adversely affected.

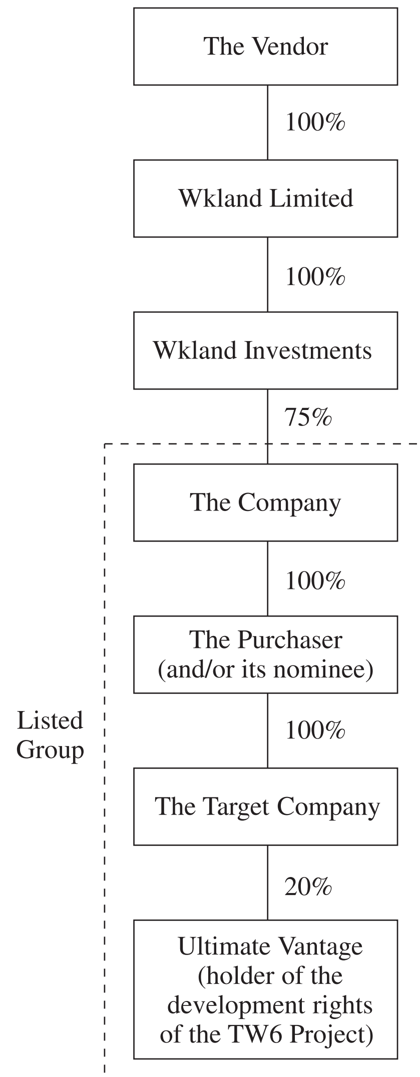
Upon completion of the Proposed Acquisition, the Group will turn from a net cash position to a net borrowing position. As a result, there will be an increase in gearing ratio and borrowing costs of the Group until the TW6 Project has been launched for sale in later years.

HOLDING STRUCTURE OF ULTIMATE VANTAGE IMMEDIATELY BEFORE AND AFTER PROPOSED ACQUISITION

Before Proposed Acquisition



After Proposed Acquisition



LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, 194,763,966 Shares, representing 75% of the issued share capital of the Company, are legally held by Wkland Investments. Wkland Investments is a direct wholly-owned subsidiary of Wkland Limited, which in turn is a direct wholly-owned subsidiary of the Vendor. The Vendor is an indirect wholly-owned subsidiary of China Vanke.

The Proposed Acquisition therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules, as the Vendor is regarded as a controlling shareholder of the Company. As certain of the applicable percentage ratios exceed 25% but are less than 100%, in addition to being a non-exempt connected transaction which is subject to reporting and announcement requirements and approval of the Independent Shareholders, the Proposed Acquisition also constitutes a major transaction for the Company under Chapter 14 of the Listing Rules.

In case there is any provision of financial assistance by the Vendor or China Vanke Group to the Group (including provision of guarantee or advances), given that there is no security provided by the Group in this regard in any event and such terms of financial assistance are on normal commercial terms, such financial assistance shall constitute exempt connected transaction under Rule 14A.65(4).

EGM

The EGM will be held at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong at 10:30 a.m. on Friday, 21 June 2013, the notice of which is set out on pages EGM-1 to EGM-2 of this circular, for the Independent Shareholders to consider and, if thought fit, approve the Proposed Acquisition.

In compliance with the Listing Rules, the resolution will be voted by way of poll at the EGM.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, save for China Vanke, the Vendor, Wkland Limited and Wkland Investments and their respective associates, no existing Shareholder has a material interest in the Proposed Acquisition. Accordingly, no Shareholder, save for China Vanke, the Vendor, Wkland Limited and Wkland Investments and their respective associates, is required to abstain from voting on the relevant resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM. To the best knowledge, information and belief of the Directors, there is no voting trust or other agreement or arrangement or understanding entered into by or binding upon any such abstaining Shareholder, or obligation or entitlement of any abstaining Shareholder as at the Latest Practicable Date, whereby such abstaining Shareholder has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

A form of proxy for use at the EGM is enclosed to this circular. If you are not able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Hong Kong branch share registrar of the

Company, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and, in any event, not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

RECOMMENDATION

The Directors (including the independent non-executive Directors having taken into account the advice of the Independent Financial Advisor) are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and are on normal commercial terms and that the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM regarding the Proposed Acquisition.

None of the Directors (including those nominated by China Vanke) has a material interest in the Proposed Acquisition and was therefore required to abstain from voting at the board meeting approving the Proposed Acquisition.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices of this circular and the notice of the EGM.

By order of the Board
Vanke Property (Overseas) Limited
Zhang Xu
Executive Director

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)

4 June 2013

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION — PROPOSED ACQUISITION OF 20% INTEREST IN TW6 PROJECT

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the resolution to approve the Proposed Acquisition, details of which are set out in the "Letter from the Board" contained in the circular of the Company (the "**Circular**") of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

Your attention is drawn to the "Letter from the Board", the letter of advice from Halcyon Capital Limited in its capacity as the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders in respect of whether the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, as set out in the "Letter from the Independent Financial Advisor" as well as other additional information set out in other parts of the Circular.

Having taken into account the advice of, and the principal factors and reasons considered by the Independent Financial Advisor in relation thereto as stated in its letter, we consider that the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM in respect of the Proposed Acquisition.

Yours faithfully,
Independent Board Committee
Mr. Chan Wai Hei, William   Mr. Chung Wai Sum, Patrick   Mr. Shium Soon Kong
Independent Non-Executive Directors

HALCYON CAPITAL LIMITED
11TH FLOOR
8 WYNDHAM STREET
CENTRAL
HONG KONG

4 June 2013

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION PROPOSED ACQUISITION OF 20% INTEREST IN TW6 PROJECT

INTRODUCTION

We refer to our engagement as the Independent Financial Advisor to the Independent Board Committee in respect of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, details of which are contained in a circular issued by the Company (the "**Circular**") to the Shareholders dated 4 June 2013, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular and Letter from the Board (as defined hereinafter) unless the context otherwise requires.

Pursuant to the Sale and Purchase Agreement, the Purchaser agreed to purchase (or procure its nominee to purchase) and the Vendor agreed to sell the entire issued share capital of the Target Company and all Shareholder's Loan subject to the terms and conditions of the Sale and Purchase Agreement. The Target Company is legally and beneficially holding 20% equity interest in Ultimate Vantage, which is the holder of the rights to the development of the TW6 Project.

Given that 194,763,966 Shares, representing 75% of the issued share capital of the Company, are legally held by Wkland Investments as at the date of the Sale and Purchase Agreement, and Wkland Investments is a direct wholly-owned subsidiary of Wkland Limited, which in turn is a direct wholly-owned subsidiary of the Vendor and the Vendor is an indirect wholly-owned subsidiary of China Vanke, the Vendor is a connected person of the Company under the Listing Rules. Accordingly, the Sale and Purchase Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement requirements and the Independent Shareholders' approval under the Listing Rules.

The Independent Board Committee, comprising Mr. Chan Wai Hei, William, Mr. Chung Wai Sum, Patrick and Mr. Shium Soon Kong, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned, whether the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole and how the Independent Shareholders should vote at the EGM.

Our role, as the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the relevant transactions contemplated thereunder, is to (i) provide the Independent Board Committee and the Independent Shareholders an independent opinion and recommendation as to whether the Sale and Purchase Agreement is entered into on normal and commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole, and whether the terms thereof are fair and reasonable as far as the Company and the Shareholders are concerned; and (ii) advise the Independent Shareholders on how to vote at the EGM.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee, we have relied on the information, financial information and the facts supplied to us and representations expressed by the Directors and/or management of the Group and have assumed that all such information, financial information and facts and any representations made to us, or referred to in the Circular, in all material aspects, are true, accurate and complete as at the time they were made and continue to be so as at the date of the Circular, has been properly extracted from the relevant underlying accounting records (in the case of financial information) and made after due and careful inquiry by the Directors and/or the management of the Group. The Directors and/or the management of the Group have confirmed that, after having made all reasonable enquiries and to the best of their knowledge and belief, all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. We have no reason to doubt the completeness, truth or accuracy of the information and facts provided and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading.

Our review and analysis were based upon, among others, the information provided by the Group including the Sale and Purchase Agreement, the annual reports of the Company for the years ended 31 December 2012 (the "**2012 Annual Report**") and 31 December 2011 (the "**2011 Annual Report**"), the Circular and certain published information from the public domain.

We have also discussed with the Directors and/or the management of the Group with respect to the terms of and reasons for the entering into of the Sale and Purchase Agreement, and considered that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted an independent verification or appraisal of the information nor have we conducted any form of in-depth investigation into the businesses, affairs, financial position, profitability or the prospects of the Group, the Target Company, the JV Partner, Ultimate Vantage, China Vanke, the Vendor, New World (as defined below), MTRC Entities or any of their respective subsidiaries or associates or the TW6 Project. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy and shares or any other securities of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion for the Sale and Purchase Agreement and the transactions contemplated thereunder, we have considered the following principal factors and reasons:

1. Background of the Proposed Acquisition

On 16 May 2013, the Board announced that on the same date, the Purchaser and the Vendor entered into the Sale and Purchase Agreement whereby the Purchaser agreed to purchase (or procure its nominee to purchase) and the Vendor agreed to sell the entire issued share capital of the Target Company and all Shareholder's Loan for a total consideration of HK$722,000,000 (subject to upward adjustment). Details of the Sale and Purchase Agreement are set out in the letter from the Board (the "**Letter from the Board**") in the Circular.

The principal assets held by the Target Company (which is an investment holding company) are the 20% equity interest in Ultimate Vantage and the shareholder's loans advanced by the Target Company to Ultimate Vantage for the purpose of financing the costs of acquisition of the rights to the development of the TW6 Project.

Ultimate Vantage is a special purpose vehicle beneficially owned as to 20% by the Target Company and 80% by the JV Partner, and is currently engaged in property development after it has acquired the rights to develop and participate in the TW6 Project, through a tender run and operated by the MTRC Entities. The Vendor, through the Target Company which holds 20% interest in Ultimate Vantage, has invested approximately HK$716.9 million into the TW6 Project (which has been fully settled by Ultimate Vantage on or before 16 April 2013). Under the relevant contracts with MTRC Entities, Ultimate Vantage is required to provide 5% of the total net profits in respect of the TW6 Project to Tsuen Wan West TW6 Property Development Limited, one of the MTRC Entities, and the remaining net profits (after deduction of 5% thereof as aforesaid) will then be shared between the JV Partner and the Purchaser (or its nominee) in a ratio of 80:20.

The TW6 Project involves the non-industrial development of a land lot (to be known as Tsuen Wan Town Lot No. 402) located near the West Rail Tsuen Wan West Station, Tsuen Wan, New Territories, Hong Kong. Upon completion of such development, residential building(s) with a total gross floor area ("**GFA**") of no less than 37,627 square metres and no more than 62,711 square metres will have been constructed. Subject to the aforesaid, the total number of residential units available shall not be less than 894, of which not less than 520 residential units shall each be in the size of not exceeding 50 square meters in saleable area. Ultimate Vantage has already commenced preliminary planning works for the TW6 Project as at the Latest Practicable Date, and it is expected that the project will be completed in any event before April 2019.

2. Reasons for and benefits of the Proposed Acquisition

(i) Principal business of the Group

The Group is principally engaged in property investment and management activities. The Vendor is an indirect wholly-owned subsidiary of China Vanke, one of the largest property developers in the PRC with major focus on residential property development. The JV Partner is wholly-owned by New World Development Company Limited, a company whose shares are listed on the Main Board of the Stock Exchange. To the best of the Directors' knowledge, information and belief, the JV Partner is an investment holding company.

During the year ended 31 December 2012, the Group has carried out a group reorganisation (the "**Group Reorganisation**") pursuant to which the Company, among other things, reorganised its subsidiaries into two sub-groups, the remaining group (the "**Remaining Group**") and the privateco group (the "**Privateco Group**"). The Remaining Group is engaged in the business of holding or relating to all those units and car park podium in Regent Centre owned by the Group prior to the Group Reorganisation (excluding Units 505–510, 5/F, Tower B of Regent Centre, which is owned by a member of the Privateco Group) (the "**Retained Business**"). The Privateco Group is engaged in all businesses of the Group prior to the Group Reorganisation, other than the Retained Business, including, but not limited to, the (i) holding and leasing of properties for commercial and warehouse purpose; (ii) warehousing; and (iii) investment holding.

The Privateco Group was then distributed to the shareholders of the Company, whose names appeared on the register of members of the Company on 13 July 2012, by way of a distribution in specie of all the shares of the holding company of the Privateco Group (the "**Distribution in Specie**"). Details of the Group Reorganisation and the Distribution in Specie are set out in the announcement of the Company dated 14 May 2012 and the circular of the Company dated 20 June 2012.

As a result of the Group Reorganisation and the Distribution in Specie, the continuing operations of the Group only comprise property investment and management for the year ended 31 December 2012.

Set out below is a summary of financial highlights of continuing operations of the Group for the year ended 31 December 2012, with comparative figures for the year ended 31 December 2011 re-presented, as extracted from the 2012 Annual Report:

	Year ended 31 December			
	2012		2011 (re-presented)	
	HK$'000	*Approximate % of net profit from continuing operations*	*HK$'000*	*Approximate % of net profit from continuing operations*
Revenue	77,574	47.6	66,373	47.5
Gross profit	59,929	36.8	48,952	35.0
Increase in fair value of investment properties	130,240	80.0	103,314	74.0
Profit for the year from continuing operations	162,891	100.0	139,698	100.0

Based on the 2012 Annual Report, the revenue of the Group from the continuing operations for the year ended 31 December 2012, amounted to approximately HK$77.6 million, was derived from the rental and property management business, which is mainly relating to the investment properties held by the Group, namely the Regent Centre. The revenue from continuing operations increased by approximately 16.9% as compared to that in 2011, and was mainly due to the increase in both average occupancy and passing rent of Regent Centre. During the same year, the Group recorded a non-cash gain from the increase in fair value of investment properties of approximately HK$130.2 million from the continuing operations, representing a significant portion of approximately 80.0% of the Group's profit for the year from continuing operations.

Regent Centre is an industrial building situated in Kwai Chung, New Territories, Hong Kong. The Group owns certain units and the carpark podium of Regent Centre with a GFA of approximately 657,000 square feet, representing approximately 64% of the total GFA of the Regent Centre. The fair value of the relevant units and carpark podium in Regent Centre held by the Group was approximately HK$1,260 million as at 31 December 2012, representing approximately 94.9% of the total assets of the Group as at 31 December 2012.

Prior to the completion of the Group Reorganisation and Distribution in Specie, the Group had investments in associates engaging in property development business.

As stated in the 2011 Annual Report, the Group had interest of 20% and 30% in the development project of Forfar and Belle Vue Residences, respectively. The development of both projects was completed during the year ended 31 December 2010.

Forfar is a residential project in Hong Kong co-developed with Wing Tai Properties Limited by the Group. This project, with a total saleable area of approximately 108,000 square feet, was launched for pre-sale in July 2009, and the relevant occupation permit and certificate of compliance for the project were obtained in January and August 2010, respectively.

Belle Vue Residences is a residential development in Singapore co-developed by the Group with Wing Tai Holdings Limited and an independent third party. The project, with a total saleable area of approximately 433,000 square feet, was launched for pre-sale in late 2008. Occupation permit and certificate of statutory completion for the project were obtained in May and October 2010, respectively.

As stated in the composite offer document jointly issued by Wkland Investments and the Company dated 23 July 2012, Wkland Investments has been conducting a review on the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the result of the review, and should suitable investment or business opportunities arise, Wkland Investments may consider diversifying the business of the Group with an objective to broaden its income sources.

As stated in the 2012 Annual Report, with the support from China Vanke, the Group will seek suitable opportunities to expand its business activities from property investment to property development in Hong Kong, in order to generate value and deliver sustainable returns to Shareholders in the long run.

The Group has identified TW6 Project as a suitable property development project of the Company with regard to the location of the land, the size and the total financial commitment (taking into account the 20% involvement only).

In view of the fact that the Group has clear intention to diversify its business to property development in Hong Kong with an objective to broaden its income sources, we concur with the view of the Directors that the Proposed Acquisition is in line with the business plan of the Group.

(ii) Investment in property development business

In assessing whether investing in property development business, as compared to the property investment business, by the Group is in the interests of the Company and Shareholders as a whole, we consider that it is appropriate to compare the return on assets and return on equity of property development companies with comparable size. Taking into account of the fact that the TW6 Project is a residential property development project in Hong Kong with cost for acquisition of rights to develop and participate in the TW6 Project of approximately HK$3.6 billion and expected development cost, including sales and marketing expenses and financing costs, of not exceeding HK$3.7 billion, we have reviewed companies listed on the Main Board of the Stock Exchange (the "**Selected Property Development Companies**"), which are principally engaged in residential property developments in Hong Kong with revenue mainly generated from the sales of residential properties in Hong Kong and market capitalisation of less than HK$15 billion as at the Latest Practicable Date. We consider that the above criteria for selection of the Selected Property Development Companies are appropriate given that Ultimate Vantage is engaged in property development business in Hong Kong.

On this basis and based on our searches conducted on a best effort basis on Bloomberg and the website of the Stock Exchange, 4 Selected Property Development Companies have been selected exhaustively and the full list of which are set out in the table below. The table below illustrates the return on assets and return on equity of each of the Selected Property Development Companies.

Company Name	**Market capitalisation as at the Latest Practicable Date**	**Return on assets**	**Return on equity**
	HK$' million	*(Note)*	*(Note)*
Kowloon Development Company Limited ("Kowloon Development")	11,552.8	4.8%	8.2%
Soundwill Holdings Limited ("Soundwill")	4,931.3	18.6%	24.1%
Tai Cheung Holdings Limited ("Tai Cheung")	3,921.3	13.2%	13.9%
Wing Tai Properties Limited ("Wing Tai")	6,810.0	17.9%	24.7%
Maximum		18.6%	24.7%
Minimum		4.8%	8.2%
Average		13.6%	17.7%

Source: Stock Exchange and respective latest published annual report or annual result announcement of the Selected Property Development Companies

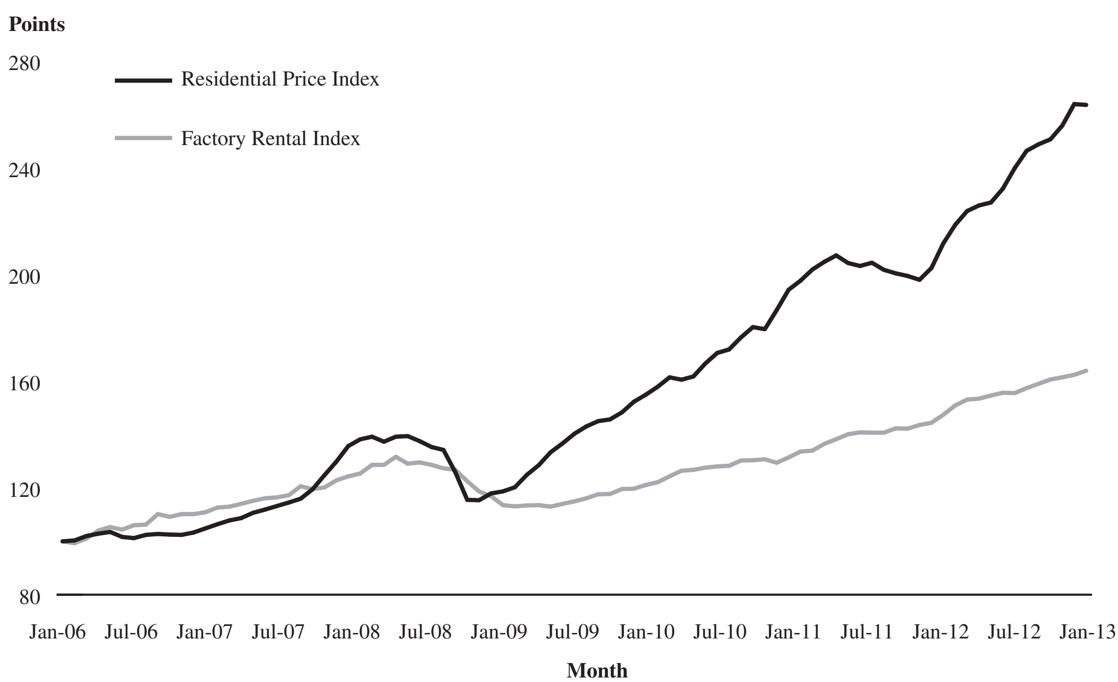
Note: The return on assets and return on equity are calculated based on the information extracted from the latest published annual reports or annual result announcements of the respective Selected Property Development Companies.

Amongst the Selected Property Development Companies, Kowloon Development recorded the lowest return on assets and return on equity as shown above. Kowloon Development has replenished its landbank over the past few years and had 15 major property projects under planning and development as at 31 December 2012. The interests in property development and inventories, which were mainly properties under development, of Kowloon Development as at 31 December 2012 represented approximately 56.8% of its total assets as at 31 December 2012, while its revenue for the year ended 31 December 2012 only represented approximately 10.9% of the interests in property development and inventories as at

31 December 2012. As a result, Kowloon Development recorded the lowest return on assets and the return on equity amongst the Selected Property Development Companies.

Based on the audited consolidated net profit after taxation from the continuing operations of the Group for the year ended 31 December 2012, the audited consolidated total assets and shareholder' equity as at 31 December 2012 as stated in the 2012 Annual Report, the return on assets and return on equity were approximately 12.3% and 12.7%, respectively. Accordingly, based on the analysis above, the return on assets and the return on equity of the Selected Property Development Companies, except for Kowloon Development due to the reason as explained above, are higher than those of the Group.

In addition to comparing the return of property development companies with the Group, in assessing whether investing in property development business by the Group is in the interests of the Company and Shareholders as a whole, we have also obtained and compared the monthly private flatted factories — rental index (the "**Factory Rental Index**") and monthly private domestic — price index (the "**Residential Price Index**"). For comparison purpose, we have changed the base year of the indices from 1999 to 2006. Set out below is the chart showing the Factory Rental Index and the Residential Price Index from January 2006 to March 2013:



Source: Rating and Valuation Department, Government of Hong Kong

In order to further analyse the change in the Residential Price Index and the Factory Rental Index, we have computed and compared the yearly changes of both indices since 2006 to 2012, based on the relevant monthly index in December of the respective year, as set out below:

(Yearly % change)	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Residential Price Index	4.1	25.7	(11.1)	28.5	21.0	11.1	25.7
Factory Rental Index	11.9	11.5	(3.4)	0.8	9.3	8.8	13.0

Source: Rating and Valuation Department, Government of Hong Kong

Based on the previous chart shown above, except for the periods from April 2006 to October 2007 and October 2008 to December 2008, the Residential Price Index outperformed the Factory Rental Index during January 2006 to March 2013, and the Residential Price Index also recorded higher year on year growth rate, in five out of the past seven years and in the last four consecutive years, as compared to the Factory Rental Index. Moreover, as shown in the table above, after adjusted the base year, the Residential Price Index grew from 100.0 in January 2006 to approximately 250.7 in December 2012, representing a growth of approximately 250.7% over the period, while the Factory Rental Index grew from 100.0 in January 2006 to approximately 160.7 in December 2012, representing a growth of approximately 160.7% over the same period. This analysis suggested that the residential property development market outperformed the industrial property investment market during the period.

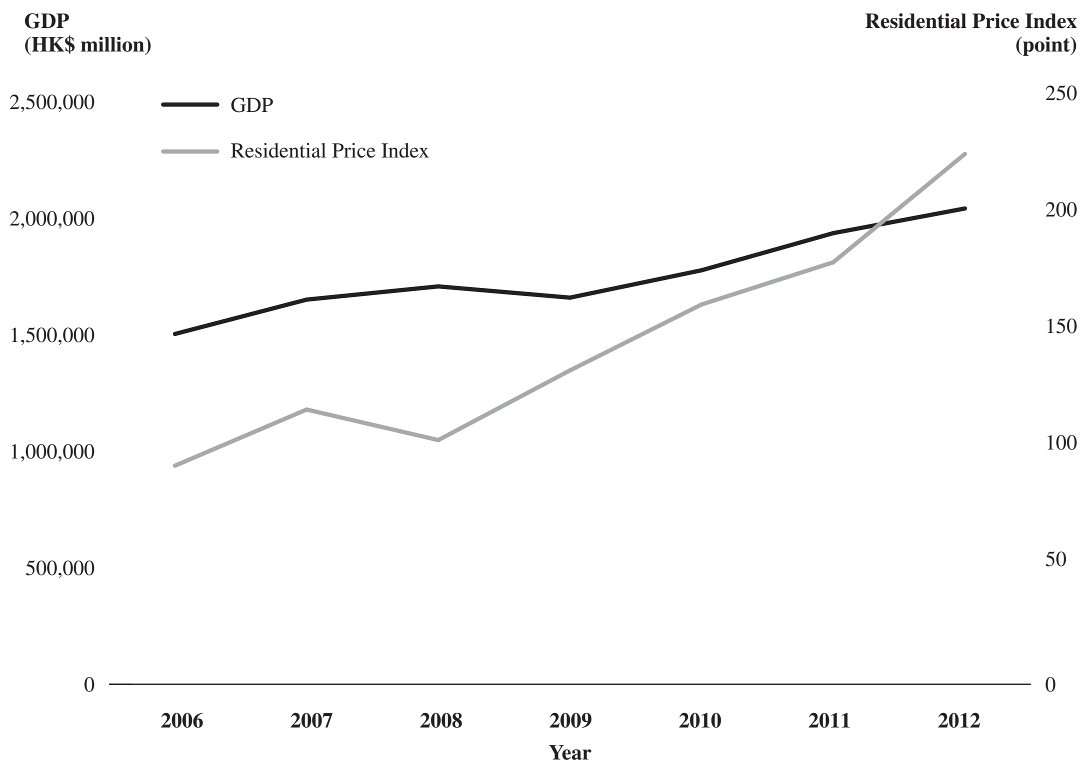
In view of the above, we are of the view that the Proposed Acquisition can broaden the income stream of the Group and concur with the view of the Directors that investment in the property development business, as compared to existing investment in the industrial property investment business, is in the interests of the Group and the Shareholders as a whole.

(iii) Overview of the economic development and the property market in Hong Kong

We have discussed with the Company and are being advised that despite the recent implementation of measures to cool down the property market by the Hong Kong Government, the Company is still optimistic on the prospect of the property development market in Hong Kong in view of (i) the expected increase in demand as a result of the economic development of Hong Kong and increase in disposable income of the households; and (ii) the limited supply of new residential properties in the foreseeable future, and considers that the property development business will be able to generate value and deliver sustainable returns to Shareholders in the long run.

General economy in Hong Kong

We have obtained, reviewed and analysed the statistics of gross domestic product of Hong Kong ("**GDP**") and the Residential Price Index from 2006 to 2012. Set out below is the graph showing the GDP (in chained dollars) and the Residential Price Index from 2006 to 2012.



Source: Census and Statistics Department, Rating and Valuation Department, Government of Hong Kong

Despite the outbreak of global financial crisis in 2008, Hong Kong still experienced economic growth during 2006 to 2012. According to the Census and Statistics Department, during the period between 2006 and 2012, the GDP of Hong Kong (in current market price) grew from approximately HK$1,503.4 billion to approximately HK$2,041.9 billion, representing a compound annual growth rate ("**CAGR**") of approximately 5.2%. During the same period, the Residential Price Index grew from approximately 93.8, to approximately 227.6, representing a CAGR of approximately 15.9%. The Residential Price Index also recorded a drop of approximately 11.1% in 2008, probably due to the global financial crisis, while the residential property market picked up the growth trend since January 2009 and outperformed the economic growth of Hong Kong from 2009 to 2012.

According to data published by the Census and Statistics Department, in the first quarter of 2010, approximately 51.9% of the households living in private permanent housing are earning monthly household income of HK$25,000 and over, while the percentage increased to approximately 59.8% in the first quarter of 2013. Set out below is the distribution of monthly income of domestic households in Hong Kong in 2006 and 2011:

Year	**2006**	**2011** *(Note)*
Monthly Income (HK$)		
< 2,000	4%	4%
2,000 — < 4,000	5%	5%
4,000 — < 6,000	5%	4%
6,000 — < 8,000	7%	5%
8,000 — < 10,000	7%	6%
10,000 — < 15,000	15%	13%
15,000 — < 20,000	13%	11%
20,000 — < 25,000	10%	10%
25,000 — < 30,000	7%	8%
30,000 — < 40,000	10%	11%
40,000 — < 60,000	9%	11%
60,000 — < 80,000	3%	5%
80,000 — < 100,000	2%	2%
100,000 and over	3%	5%
Total	100%	100%

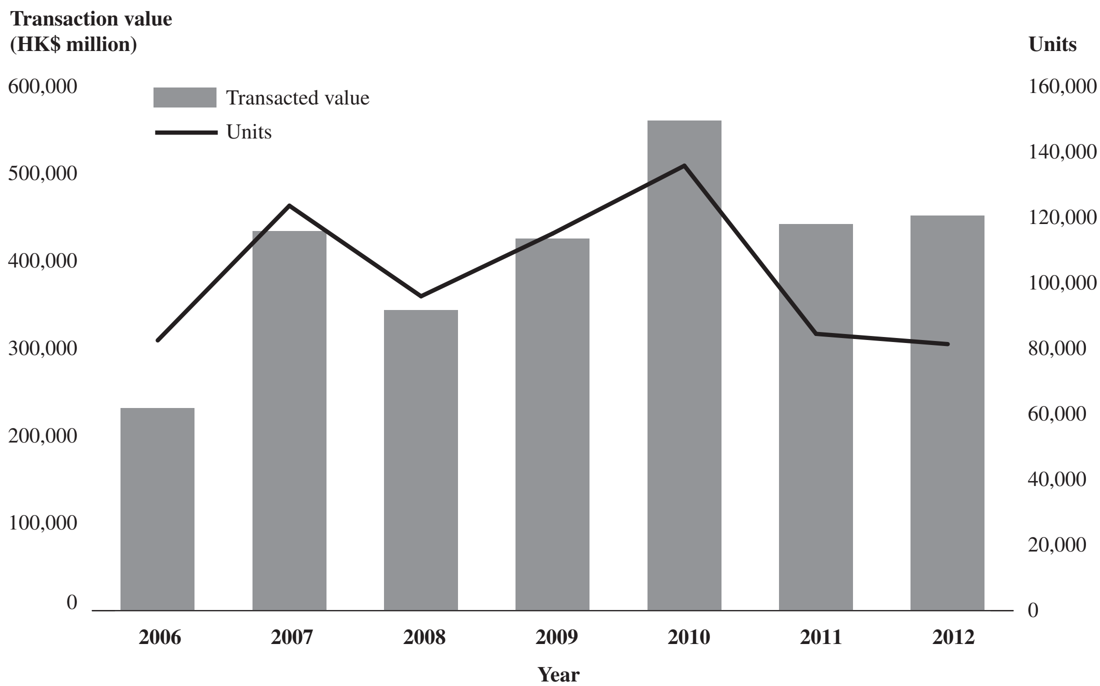
Sources: Census and Statistics Department
(Note: latest available information from Census and Statistics Department)

During 2006 to 2011, households with monthly income of HK$25,000 and over increased from approximately 34% of the total household in Hong Kong, to approximately 42% of the total household in Hong Kong. Together with the increase in percentage of households living in private permanent housing with monthly household income of HK$25,000 and over, the change in the above income distribution illustrated that the households living in private permanent housing are being more affordable as a result of the increase in their household income.

Government policy and demand

Although Hong Kong has always been a very open economy, the Hong Kong Government may still intervene the residential property market to curb excessive property speculation and short-term trading activities. In November 2010, the Hong Kong Government first introduced the special stamp duty, and modified the relevant rate and duration in late 2012, thus reducing the speculating transactions in the residential property market.

We have also obtained statistics from the Land Registry of Hong Kong in relation to the transaction value and number of units involved in the sale and purchase of residential building units from 2006 to 2012 with both primary and secondary sales included.



Source: Land Registry

Subsequent to the introduction of various measures to reduce the speculating activities in late 2010 by the Hong Kong Government, the number of sale and purchase of residential building unit has dropped by approximately 40.1% from 2010 to 2012, while the transaction value only dropped by approximately 19.3% in the same period. We are of the view that the introduction of the measures may have reduced the speculating activities in the residential property market.

Set out below is the vacancy rate of private domestic properties from 2006 to 2012:

	Less than 40 m^2	40 m^2 to 69.9 m^2	70 m^2 to 99.9 m^2	100 m^2 to 159.9 m^2	160 m^2 or above	Overall
2006	3.2%	7.0%	7.3%	6.4%	13.1%	5.9%
2007	2.9%	5.3%	6.4%	7.5%	10.4%	4.9%
2008	2.7%	5.2%	7.1%	7.8%	11.1%	4.9%
2009	2.5%	4.1%	6.6%	9.6%	12.7%	4.3%
2010	2.7%	4.5%	7.7%	7.6%	12.9%	4.7%
2011	2.3%	4.0%	7.7%	9.2%	10.2%	4.3%
2012	2.3%	4.1%	6.1%	9.3%	14.1%	4.3%

Sources: Rating and Valuation Department

The overall vacancy rate of the private domestic properties dropped from approximately 5.9% in 2006 to 4.3% in 2012, while it is noteworthy that, during the same period, the vacancy rate of private domestic properties of less than 40 m^2 and from 40 m^2 to 69.9 m^2 dropped from approximately 3.2% to 2.3% and from approximately 7.0% to 4.1%, respectively. The continuous drop in vacancy rate, especially the vacancy rates for smaller units, represents that there is real demand for the residential properties in Hong Kong.

On the other hand, in order to maintain a healthy property market, the Hong Kong Government has been, from time to time, introducing various policies or measures which include, but not limited to, the abovementioned special stamp duty and the enactment of Residential Properties (First-hand Sales) Ordinance. The Residential Properties (First-hand Sales) Ordinance was enacted in April 2013 with a view to further enhance the transparency, fairness and consumer protection of the sales arrangements and transactions of first-hand residential properties.

Supplies for residential properties in Hong Kong

Based on Transportation and Housing Bureau of Hong Kong, as at 31 March 2013, there were approximately 4,000 unsold units in completed residential property projects, approximately 53,000 units of residential properties under development of which approximately 7,000 units have been pre-sold and approximately 17,000 units of residential properties from disposed sites where construction may start anytime. Accordingly, it is expected that a total of 67,000 units of new residential properties will be supplied to the private housing primary market. The aforesaid estimation has taken into account of the possible units to be constructed on disposed sites of approximately 17,000 units. If such units were not taken into account in calculating the expected supply in the coming four years, there will be an average approximately 12,500 units of new residential properties will be supplied to the private housing primary market in each of the coming four years, which is still slightly below the actual completed private residential units in 2010 of approximately 13,400 units.

(iv) Cooperation with the JV Partner

The JV Partner is wholly-owned by New World Development Company Limited ("**New World**"). New World has extensive experience in residential property development in Hong Kong, and has jointly developed a number of property projects with the MTR Corporation.

As stated in the annual report of New World for the year ended 30 June 2012, the property project situated above the Tsim Sha Tsui Station, namely The Masterpiece, has received overwhelming market response since its re-launch in 2011. As at 25 September 2012, a total of 72 residential units were sold, including a number of special units with a value over HK$100 million per unit since the beginning of its financial year 2012. It was further stated in the same annual report that the segment result of the property development segment was HK$5,274.0 million and, for the year ended 30 June 2012, the major contribution for the property sales in Hong Kong was from The Masterpiece.

Apart from The Masterpiece, New World is the developer of two property projects situated above the Austin Station, and the developer of property projects located adjacent to Wu Kai Sha MTR Station and in close proximity to the Hong Kong University Station of MTR West Island Line. New World is also one of the developers of Riviera Garden, which is located adjacent to the TW6 Project.

In view of the aforesaid, we concur with the view of the Directors that New World has sufficient experience in developing MTR property projects, and is experienced in property development in Hong Kong including Tsuen Wan.

According to the interim report of New World for the six months ended 31 December 2012, New World had a landbank of around 9.6 million square feet total attributable GFA for immediate development (without taking into account of the TW6 Project), of which over 50% was in the urban area, out of which the New World's effective share of GFA for residential property development amounted to approximately 6.2 million square feet. Meanwhile, New World has a total of approximately 18.7 million square feet of agricultural land reserve pending for conversion, ranking it as one of the developers with largest agricultural land reserve in Hong Kong.

New World was one of the constituents of the Hang Seng Index as at the Latest Practicable Date, and has generated revenue of over HK$10.0 billion from its property development business in each of the past three years ended 30 June 2012.

As stated in the Letter from the Board, upon completion of the Sale and Purchase Agreement, the Purchaser (and/or its nominee) will step into the position of the Vendor in respect of the TW6 Project. Accordingly, the Group will effectively be forming a joint venture company with New World for property development.

Although the Group had cooperated with other property developers in developing residential properties in Hong Kong, the relevant property development segment had been separated from the current business carried by the Group as a result of the Group Reorganisation and Distribution in Specie. Moreover, the Group had not participated in any MTR property development project. Accordingly, in order to enrich and strengthen the property development profile of the Group, and participate in a large property project with less working capital, it is in the interest of the Group to cooperate with a more experienced and sizeable property development company, which is experienced in developing MTR property development projects, and take a minority interest position in such cooperation. In view of the experience and track record of New World in property development segment and developing residential properties above the MTR stations, we concur with the view of the Directors that the cooperation with New World, by way of the Proposed Acquisition, is in the interests of the Group and the Shareholders as a whole.

3. Major terms of the Sale and Purchase Agreement

(i) The Consideration

As stated in the Letter from the Board, the aggregate Consideration for the entire issued share capital of the Target Company and all the Shareholder's Loan is currently HK$722.0 million (subject to upward adjustment) payable by the Purchaser in cash in the following manner:

(a) as to HK$572.0 million and the amount of upward adjustment (if any) will be payable in cash upon Completion; and

(b) as to HK$150.0 million will be payable in cash within 3 Business Days from the date on which not less than HK$150.0 million in aggregate of the shareholder's loan advanced from the Target Company to Ultimate Vantage having been repaid to and actually received by the Target Company.

The Consideration is made up of share consideration of a nominal amount and loan consideration as represented by the amount of the outstanding Shareholder's Loan as at Completion.

For the avoidance of doubt, the outstanding instalment of the Consideration set out in paragraph (b) above shall bear a simple interest, accruing from the date of Completion to the date of actual payment of such outstanding instalment. Such simple interest should be accrued afresh for a period of every 30 days during which the instalment is outstanding (the "**Instalment Interest Period**"), commencing from the date of Completion, at the rate of 1-month HIBOR plus 2.8% per annum. In case the actual payment date does not fall on the expiry date of the last Instalment Interest Period, the interest for that Instalment Interest Period should be reduced proportionally based on the number of days on which such instalment is outstanding.

The Consideration is subject to upward adjustment as follows:

(a) by the amount of interest accrued on the Shareholder's Loan from the date of the Sale and Purchase Agreement until the date of Completion at the rate of 1-month HIBOR plus 2.8% per annum; and

(b) if from the date of the Sale and Purchase Agreement and until the date of Completion, the Vendor has provided further shareholder's loan(s) to the Target Company for the purpose of financing its investment in TW6 Project (which loans should have been approved by the Company in advance), on a dollar-for-dollar basis by the principal amount of such loan(s) and the interest accrued thereon at the rate of 1-month HIBOR plus 2.8% per annum.

Simple interest should be accrued afresh for a period of every 30 days during which the principal amount of the Shareholder's Loan (or any part thereof) is outstanding (the "**Loan Interest Period**"), commencing from the date of advance or the date of the Sale and Purchase Agreement, as the case may be, until the date of Completion. In case Completion does not fall on the expiry date of the last Loan Interest Period, the interest for that Loan Interest Period should be reduced proportionally based on the number of days on which such Shareholder's Loan (or any part thereof) is outstanding.

Analysis on Consideration

The Consideration

As stated in the Letter from the Board, the principal assets held by the Target Company (which is an investment holding company) are the 20% equity interest in Ultimate Vantage and the shareholder's loans advanced by the Target Company to Ultimate Vantage for the purpose of financing the acquisition costs of the TW6 Project.

Ultimate Vantage is a special purpose vehicle beneficially owned as to 20% by the Target Company and 80% by the JV Partner, and is currently engaged in property development after it has acquired the rights to develop and participate in the TW6 Project, through a tender run and operated by the MTRC Entities. The Vendor, through the Target Company which holds 20% interest in Ultimate Vantage, invested approximately HK$716.9 million into the TW6 Project (which has been fully settled by Ultimate Vantage on or before 16 April 2013). As stated in the Letter from the Board, the investment already made by the Vendor in the TW6 Project, which comprises (1) the contributions to the Target Company to allow Ultimate Vantage to settle payments due under the TW6 Project to the MTRC Entities (20% of which amounting to approximately HK$716.9 million); (2) relevant costs of approximately HK$2.8 million paid by the Vendor in participating in the TW6 Project; and (3) funding costs of the Vendor amounting to approximately HK$2.3 million on the provision of Shareholder's Loan from the date of advance(s) to the date of the Sale and Purchase Agreement (calculated at the rate of HIBOR for the relevant period plus 2.8% per annum). Accordingly, the total cost of investment made by the Vendor in the TW6 Project is approximately HK$722.0 million and equals to the Consideration, while the adjustment clause catered for the cost of capital and further shareholder's loan provided by the Vendor to the Target Company from the date of the Sale and Purchase Agreement to date of Completion.

As stated in the valuation report (the "**Valuation Report**") prepared by an independent third party valuer ("**Valuer**") set out in Appendix V to the Circular, the parcel of land underlying the TW6 Project involves the non-industrial development of a land lot (to be known as Tsuen Wan Town Lot No. 402) located underlying the West Rail Tsuen Wan West Station and located at the west of Wing Shun Street, Tsuen Wan, Hong Kong with a site area of approximately 13,804 square meters. Upon completion of such development, a total gross floor area of no less than 37,627 square metres and no more than 62,711 square metres will have been constructed, and the total number of residential units available shall not be less than 894, of which not less than 520 residential units shall each be in the size of not exceeding 50 square meters in saleable area. The building height shall not exceed 179.5 meters above the Hong Kong Principal Datum. The number of parking spaces will be subject to the number and size of residential units to be constructed. Based on the Valuation Report, the market value of the TW6 Project as at 16 April 2013, being the date on which the total costs of acquiring the rights to develop and participate in the TW6 Project was fully settled, was HK$3,600 million (the "**Valuation**").

As set out in the Letter from the Board, the Target Company had unaudited total assets and total liabilities of approximately HK$720.4 million and HK$720.4 million, respectively, as at 16 April 2013. The total assets mainly comprised the interest in Ultimate Vantage and the total liabilities mainly comprised the shareholder's loan of approximately HK$720.4 million owed by the Target Company to the Vendor.

In reviewing the valuation of the TW6 Project, we have held various discussions with the Valuer. In particular, we note that in performing the valuation for the TW6 Project, the Valuer has adopted the direct comparison approach by making reference to the comparable transactions as available in the open market assuming the sale with the benefit of vacant possession, and similar transactions in Tsuen Wan and residential property projects above West Rail Tsuen Wan West Station. Comparable properties of similar size, character and location are analysed and carefully selected of each property in order to arrive at a fair comparison of capital values. We have also been advised by the Valuer that given the particulars of the TW6 Project, the above valuation methodologies are commonly used in arriving at the Valuation. Based on our discussions with the Valuer and our understanding of the particulars of the TW6 Project, we believe that the direct comparison approach adopted by the Valuer in performing the Valuation is appropriate.

The interest rate on the outstanding instalment of the Consideration

In assessing the fairness and reasonableness of the interest rate charged in the outstanding instalment of the Consideration, being 1 month-HIBOR plus 2.8% per annum, we have analysed the existing cost of debt financing of the Group and the cost of debt financing of the Selected Property Development Companies, and compare the respective rate with the interest rate charged pursuant to the Sale and Purchase Agreement.

On 28 December 2012, the Group obtained a three-year term and revolving loan facility up to an aggregate amount of HK$600.0 million (the "**Banking Facility**") for general working capital purpose and was secured by the investment properties of the Group. The all-in borrowing cost for obtaining the Banking Facility amounted to approximately HIBOR plus 2.8% per annum.

On the other hand, in assessing the fairness and reasonableness of the interest rate charged on the outstanding instalment of the Consideration, we consider that it is appropriate to compare the rate with the effective interest rate of the borrowings of the Selected Property Development Companies. The table below illustrates the market capitalisation and the effective interest rate of the borrowings of each of the Selected Property Development Companies.

Company Name	**Market capitalisation as at the Latest Practicable Date** *HK$' million*	**Effective annual interest rate on borrowings**
Kowloon Development	11,552.8	HIBOR plus a margin
Soundwill	4,931.3	For HK$-denominated loans: HIBOR plus 1% to HIBOR plus 3.75% For RMB-denominated loans 30% mark-up over the base rate
Tai Cheung	3,921.3	3.8%
Wing Tai	6,810.0	2.3%

Source: Stock Exchange and respective latest published annual report or annual result announcement of the Selected Property Development Companies

Having considered the above, in particular (i) having understood from the Company that the Consideration was determined after arm's length negotiation between the Purchaser and the Vendor; (ii) adjustments will be made to the Consideration to reflect the finance cost of the Shareholder's Loan; (iii) the Consideration represents the cost incurred by the Vendor in the TW6 Project, which we consider to be the most relevant benchmark in assessing the fairness of the Consideration given that the principal asset underlying the Proposed Acquisition is the interest in the TW6 Project; (iv) the Valuation represents a slight premium over the cost for Ultimate Vantage to acquire the rights to develop and participate in the TW6 Project of approximately HK$3,584.5 million; (v) having discussed with the Valuer and understood that an appropriate valuation methodology was adopted in the valuation of the properties of Ultimate Vantage; (vi) the majority of the borrowings of the Selected Property Development Companies are secured borrowings while the outstanding instalment of the Consideration is unsecured; and (vii) the interest rate in relation to the Shareholder's Loan is in line with the Selected Property Development Companies and the Banking Facility of the Group, we are of the view that the Consideration is fair and reasonable in so far the Independent Shareholders are concerned and are on normal commercial terms.

(ii) Guarantee and Ongoing Assistance

As stated in the Letter from the Board, if required by any of the MTRC Entities and the JV Partner, the Vendor will act as guarantor of the Purchaser and/or the Company in favour of MTRC Entities and the JV Partner, with no security to be provided by the Purchaser or the Company, in respect of any of the obligations of the Purchaser and/or the Company in the TW6 Project after Completion. The Vendor will also, with no security to be provided by the Purchaser or the Company, execute such documents (in form and substance satisfactory to the Vendor and the Purchaser) as required by any of the MTRC Entities and the JV Partner in this respect. Any advance made in pursuant to the guarantee will be regarded as a Guarantee Advance made by the Vendor to the Group, unsecured, bears a simple interest at the rate of 1-month HIBOR plus 2.8% per annum and not repayable until the date of payment of outstanding instalment of the Consideration.

As further stated in the Letter from the Board, the Vendor has agreed with the Purchaser under the Sale and Purchase Agreement that, among other things, the Vendor will provide necessary assistance (the "**Ongoing Assistance**") to the Purchaser and/or the Company in fulfilling their obligations under the TW6 Project upon reasonable request and, in case of any advance made by the Vendor in favor of the Group, such advance will be at the same terms as the Guarantee Advance.

Our view

Taking into account of the above, we are of the view that the terms of the Sale and Purchase Agreement, in particular the Consideration, the Guarantee Advance and the Ongoing Assistance, are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

4. Possible financial effects of the Proposed Acquisition

(i) Earnings

As stated in the Letter from the Board, upon Completion, the Target Company will become a wholly-owned subsidiary of the Company whereas Ultimate Vantage will become an associate of the Company (has the meaning ascribed to it under accounting standards).

The results of the Ultimate Vantage will be equity accounted for in the financial statements of the Group, and the Group will share 20% of the profit and loss of Ultimate Vantage.

(ii) Net assets value

Based on the annual report of the Company for the year ended 31 December 2012, the Group had audited total assets of approximately HK$1,327.6 million, total liabilities of approximately HK$48.7 million, net assets of approximately

HK$1,278.9 million. Upon Completion, based on the unaudited pro forma consolidated statement of assets and liabilities of the Group (assuming the Proposed Acquisition had been completed on 31 December 2012) as set out in Appendix IV to the Circular, as at 31 December 2012, the Enlarged Group would have total assets of approximately HK$2,007.6 million, total liabilities of approximately HK$728.7 million and net assets of approximately HK$1,278.9 million. Based on the aforesaid figures, it is expected that there would be no material change in the net asset value of the Group as a result of the Proposed Acquisition.

However, Shareholders should note that the actual financial effects of the Proposed Acquisition on the Group's net assets value shall only be determined, and subject to audit, upon Completion based on, among other things, the then fair value of the consolidated net assets of the Target Company and the then fair value of the Consideration. Therefore, the abovementioned effect of the Proposed Acquisition to the net assets value of the Group may be different from the actual effect of the Proposed Acquisition to the net assets value of the Group on Completion.

(iii) Working capital

As stated in the Letter from the Board, the maximum total costs to be borne by the Group in the TW6 Project will be approximately HK$1,460 million (being the aggregate of (a) the maximum total capital commitment for the Target Company of approximately HK$740 million; and (b) the Consideration (which has already included the 20% of the acquisition costs and is subject to upward adjustment). It is currently intended that such costs will be funded partly by internal resources and banking facilities available to the Group and partly by bank borrowings to be obtained by Ultimate Vantage. Amongst the Consideration, HK$572.0 million and the upward adjustment amount, if any, will be paid upon Completion and the remaining HK$150.0 million will be paid within 3 Business Days from the date on which not less than HK$150.0 million in aggregate of the shareholder's loan from the Target Company to Ultimate Vantage having been repaid to and actually received by the Target Company. The first instalment of HK$572.0 million and the upward adjustment, if any, will be satisfied partly by the Banking Facility and partly by cash and bank balances of the Group. Based on (i) the bank balances and cash of approximately HK$362.0 million and undrawn banking facilities of HK$300.0 million as at 30 April 2013, which would be utilised for the purpose of settling the consideration of HK$572.0 million as stated in the Letter from the Board; (ii) the Company is able to generate cash inflow from its operating activities based on its historical results; and (iii) HK$150.0 million of the Consideration will not be payable until not less than HK$150.0 million of the shareholder's loan advanced from the Target Company to Ultimate Vantage having been repaid to and actually received by the Target Company, the Directors believe that the Group has sufficient financial resources to finance the Consideration.

(iv) Gearing

As at 31 December 2012, the total audited cash balances (or cash equivalents) of the Group amounted to approximately HK$50.2 million, and the Group's gearing ratio (calculated by dividing the total liabilities by the total assets of the Group) was approximately 3.7%. Upon Completion, based on the unaudited pro forma consolidated statement of assets and liabilities of the Group (assuming the Proposed Acquisition had been completed on 31 December 2012) as set out in Appendix IV to the Circular, as at 31 December 2012, the Directors expect that the gearing ratio will be increased to approximately 36.3% (the "**Pro Forma Gearing Ratio**").

In assessing whether the Pro Forma Gearing Ratio is in an acceptable range, we consider that it is appropriate to compare the gearing ratio of the Selected Property Development Companies with the Pro Forma Gearing Ratio. The table below illustrates the market capitalisation and the gearing ratio of each of the Selected Property Development Companies as at the respective latest financial year end date and previous financial year end date as stated in the latest published annual report or annual result announcement of the respective Selected Property Development Companies.

Company Name	**Market capitalisation as at the Latest Practicable Date** *HK$' million*	**Gearing ratio as at latest financial year end**	**Gearing ratio as at previous financial year end**
Kowloon Development	11,552.8	41.5%	40.0%
Soundwill	4,931.3	22.9%	30.1%
Tai Cheung	3,921.3	5.2%	6.4%
Wing Tai	6,810.0	27.5%	29.6%
Minimum		5.2%	6.4%
Maximum		41.5%	40.0%
Average		24.3%	26.5%

Source: Stock Exchange and respective latest published annual report or annual result announcement of the Selected Property Development Companies

Tai Cheung recorded lowest gearing ratio of approximately 5.2% as at 31 March 2012 as Tai Cheung mainly relied on financing through its internal resources, while other Selected Property Development Companies placed a higher reliance on debt financing. The Pro Forma Gearing Ratio falls within the ranges of the gearing ratios of the Selected Property Development Companies as at their respective latest financial year end date and previous financial year end date.

Furthermore, we also compared the gearing ratio of New World, being the holding company of the JV Partner, with the Pro Forma Gearing Ratio. The gearing ratio of New World as at 30 June 2011 and 2012 was approximately 41.4% and 44.8%, respectively.

In view of the above analysis, we consider that the Pro Forma Gearing Ratio falls within an acceptable range.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that the Proposed Acquisition is not in the ordinary and usual course of business of the Company, but in line with the Group's business plan to expand into property development activities, and the Proposed Acquisition (and the transactions contemplated thereunder) and the terms thereof are in the interest of the Group and the Shareholders as a whole and the terms of the Sale and Purchase Agreement are of normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders and the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the entering into of the Proposed Acquisition (and the transactions contemplated thereunder).

Yours faithfully,
For and on behalf of
Halcyon Capital Limited

Derek C.O. Chan
Chairman

Terry Chu
Managing Director

1. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2010, 2011 AND 2012

The financial information of the Group for the three years ended 31 December 2010, 2011 and 2012 has been disclosed in the following documents published on the website of the Company at www.vankeoverseas.com and the website of the Stock Exchange at www.hkex.com.hk:

- Annual Report of the Company for the year ended 31 December 2012 (pages 34 to 100)
- Annual Report of the Company for the year ended 31 December 2011 (pages 31 to 94)
- Annual Report of the Company for the year ended 31 December 2010 (pages 29 to 94)

2. INDEBTEDNESS STATEMENT

Indebtedness

At the close of business on 30 April 2013, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the Group had total bank borrowings of HK$300 million, repayable within a period of more than two years but not exceeding five years. The bank borrowings were secured by the Group's investment properties having a carrying value of HK$1,259.6 million in the accounts.

At the close of business on 30 April 2013, the Group's cash on hand and undrawn banking facilities amounted to HK$362 million and HK$300 million, respectively. After deducting the cash on hand, the Group had no net bank borrowings as at 30 April 2013.

The Group had no significant contingent liabilities as at 30 April 2013. The Company was contingently liable for a guarantee of HK$600 million executed in favor of a bank for banking facilities granted to a wholly-owned subsidiary of the Company.

General

Save as aforesaid or as otherwise disclosed herein and apart from intra-group liabilities, at the close of business on 30 April 2013, the Group did not have any outstanding debt securities and loan capital issued and outstanding or agreed or to be issued, bank overdrafts, loans or other similar indebtedness (whether guaranteed, unguaranteed, secured or unsecured), mortgages, charges or debentures, guarantees or other material contingent liabilities.

The Directors have confirmed that there has not been any other material change in the indebtedness and contingent liabilities of the Group since 30 April 2013 and up to the Latest Practicable Date.

3. WORKING CAPITAL

Upon Completion, the Purchaser is required to pay HK$572 million and the amount of upward adjustment in cash. The amounts are to be financed by the existing cash on hand and banking facilities available to the Group. The payment of the outstanding instalment of the consideration of HK$150 million is deferred and will not be repayable until not less than HK$150 million of the shareholder's loan due from Ultimate Vantage to the Target Company having been repaid to and actually received by the Target Company.

Taking these into account and the expected net cash inflow to be generated from the leasing of the Group's investment property, the Directors are of the opinion that the Enlarged Group in the absence of unforeseen circumstances relating to the Hong Kong property market and the development of the TW6 Project would have sufficient working capital for its current requirements for at least twelve months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

The Group is currently engaged in the holding of various units in Regent Centre, Kwai Chung, New Territories, Hong Kong for rental income. The Proposed Acquisition will provide an opportunity for the Group to diversify its operation from property investment to property development in Hong Kong. In view of the favorable location of the site adjacent to the MTR West Rail Station, the unobstructed sea view enjoyed by a majority of the completed units in the development and the expected prosperity of the property market in Hong Kong, the Directors are optimistic about the future profitability of the project. By teaming up with the JV Partner which has a proven track record of undertaking property development activities in Hong Kong and also MTR projects, the Group is confident that the project can be satisfactorily completed in accordance with the terms of the land grant.

Through participating in the TW6 Project and the ongoing support from China Vanke, the Directors are of the view that the financial and trading prospects of the Enlarged Group will be gradually improved. The Group will continue to consider property development and investment opportunities in Hong Kong, but will only do so in a financially prudent manner.

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

KPMG

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

4 June 2013

The Directors
Vanke Property (Overseas) Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Wkdeveloper Limited (the "Target Company") comprising the balance sheet of the Target Company as at 31 December 2012 and the statement of changes in equity for the period from 15 October 2012 (date of incorporation) to 31 December 2012, together with the explanatory notes thereto (the "Financial Information"), for inclusion in the circular of Vanke Property (Overseas) Limited dated 4 June 2013 (the "Circular") in connection with the proposed acquisition of the Target Company.

The Target Company was incorporated in the British Virgin Islands on 15 October 2012 as an exempted company with limited liability under the British Virgin Islands Business Companies Act, 2004.

As at the date of this report, no audited financial statements have been prepared for the Target Company, as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

The directors of the Target Company have prepared the management accounts of the Target Company for the period from 15 October 2012 (date of incorporation) to 31 December 2012 (the "management accounts") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared by the directors of the Target Company for inclusion in the Circular based on the management accounts, with no adjustment made thereon and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Target Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Target Company in respect of any period subsequent to 31 December 2012.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the Target Company's state of affairs as at 31 December 2012 and the Target Company's results and cash flows for the period from 15 October 2012 (date of incorporation) to 31 December 2012.

A FINANCIAL INFORMATION OF THE TARGET COMPANY

1 Balance Sheet

	Section B *Note*	*HK$*
Current asset		
Amount due from the immediate holding company	*4*	8
NET ASSET		8
CAPITAL AND RESERVE		
Share capital	*5*	8
TOTAL EQUITY		8

The accompanying notes form part of the Financial Information.

2 Statement of Changes in Equity

	Section B *Note*	Share capital *HK$*
Total equity at 15 October 2012		—
Issuance of share	*5*	8
Total equity at 31 December 2012		8

The accompanying notes form part of the Financial Information.

B NOTES TO THE FINANCIAL INFORMATION

1 Significant Accounting Policies

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes Hong Kong Accounting Standards and related interpretations, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

(b) Basis of measurement

The Financial Information is presented in Hong Kong dollars. It is prepared on the historical cost basis.

(c) Use of estimates and judgements

The preparation of 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.

(d) Cash flow statement

A cash flow statement has not been prepared because the Target Company did not have any cash flows during the period nor did it have any cash or cash equivalents during the period and at the balance sheet date.

(e) Other receivables

Other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

Impairment losses for bad and doubtful debts are recognised when there is objective evidence of impairment and are measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the asset's original effective interest rate where the effect of discounting is material. Objective evidence of impairment includes observable data that comes to the attention of the Target Company about events that have an impact on the asset's estimated future cash flows such as significant financial difficulty of the debtor.

(f) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Company 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.

(g) Related parties

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

(i) has control or joint control over the Target Company;

(ii) has significant influence over the Target Company; or

(iii) is a member of the key management personnel of the Target Company or the Target Company's parent.

(b) An entity is related to the Target Company if any of the following conditions apply:

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

(ii) 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).

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

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

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

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

(vii) A person identified in (a)(i) 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).

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.

2 Statement of comprehensive income

All the expenses of the Company amounted to HK$15,600 have been borne by the immediate holding company. Accordingly, no statement of comprehensive income is presented.

3 Directors' Remuneration

Details of directors' remuneration of the Target Company during the period from 15 October 2012 (date of incorporation) to 31 December 2012 are as follows:

	HK$
Fee	—
Other emoluments	—

4 Amount Due from the Immediate Holding Company

The amount due from the immediate holding company is unsecured, interest-free and recoverable on demand.

5 Share Capital

Authorised:

50,000 ordinary shares of US$1 each	US$50,000
Equivalent to	HK$390,000

Issued and fully paid:	*US$*
At 15 October 2012	—
Share issued (1 ordinary share of US$1) during the period	1
At 31 December 2012	1
Equivalent to	HK$7.8

The Target Company was incorporated in the British Virgin Islands under the British Virgin Islands Business Companies Act, 2004 on 15 October 2012 with an initial authorised share capital of 50,000 ordinary shares of US$1 each. On incorporation, 1 ordinary share of US$1 was issued and fully paid at par as initial capital of the Target Company.

The holder of ordinary share is entitled to receive dividends as declared from time to time and is entitled to one vote at meetings of the Target Company.

Capital management

The Target Company 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 Company as capital.

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

The Target Company was not subject to externally imposed capital requirements in the current period.

6 Financial Risk Management and Fair Values

Exposure to credit risk arises in the normal course of the Target Company's business. The Target Company's exposure to these risks and the financial risk management policies and practices used by the Target Company to manage these risks are described below.

Credit risk

The Target Company's credit risk is primarily attributable to amount due from the immediate holding company. Amount due from the immediate holding company is reviewed and settled regularly unless the amount is specifically intended to be long-term in nature.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance.

Fair value

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2012.

7 Material Related Party Transaction

Details of the amount due from the immediate holding company are set out in note 4, and it did not fall under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

8 Non-adjusting Events after the Balance Sheet Date

A memorandum of understanding dated 21 January 2013 was entered into between Vanke Property (Hong Kong) Company Limited ("Vanke HK") and New World Development Company Limited ("New World") in relation to the setting up of a joint venture company owned 20% and 80% by Vanke HK and New World for bidding the development of Tsuen Wan West Station TW6 Property project. Immediately after the bid was accepted, shares of Ultimate Vantage Limited, the joint venture company, were allotted at par to the Target Company, a wholly owned subsidiary of Vanke HK, and Ultimate Sail Limited, a wholly owned subsidiary of New World, in the proportion of 20% and 80%. Up to 16 April 2013, the Target Company advanced a total of HK$716,903,800 to Ultimate Vantage Limited for the purpose of funding its payment obligations under the TW6 Project.

9 Immediate and Ultimate Controlling Party

At 31 December 2012, the directors consider the immediate parent and ultimate controlling party of the Target Company to be Vanke HK and China Vanke Co., Ltd, which are incorporated in Hong Kong and the People's Republic of China respectively. China Vanke Co., Ltd produces financial statements available for public use.

10 Possible Impact of Amendments, New Standards and Interpretations Issued but not Yet Effective for the Period Ended 31 December 2012

Up to the date of issue of the Financial Information, the HKICPA has issued a number of amendments and new standards which are not yet effective for the period ended 31 December 2012 and which have not been adopted in the Financial Information.

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

C SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 31 December 2012. No dividend or distribution has been declared or made by the Target Company in respect of any period subsequent to 31 December 2012.

Yours faithfully,

KPMG

Certified Public Accountants
Hong Kong

For the period from 15 October 2012 (date of incorporation) to 31 December 2012

Financial and Business Review

During the period from 15 October 2012 (date of incorporation) to 31 December 2012 (the "Period"), the Target Company was a wholly owned subsidiary of Vanke Property (Hong Kong) Company Limited ("Vanke HK") and remained inactive during the Period.

On 21 January 2013, Vanke HK and New World Development Company Limited ("New World") entered into a memorandum of understanding pursuant to which Vanke HK and New World agreed to form a joint venture 20% owned by Vanke HK and 80% owned by New World for bidding the development of the TW6 Project through Ultimate Vantage Limited. Immediately after the bid was accepted, shares of Ultimate Vantage Limited were allotted at par to the Target Company and Ultimate Sail Limited, a wholly owned subsidiary of New World, to formalise the structure of the joint venture.

Liquidity, financial position and capital structure

The authorised share capital of the Target Company is US$50,000, comprising 50,000 ordinary shares of US$1 each. Of which, 1 share was allotted at par to Vanke HK on the date of incorporation of the Target Company.

The total acquisition cost for the development rights of the TW6 Project was approximately HK$3,584.5 million, which has been fully paid after the end of the Period by way of shareholders' loan contributions from the Target Company and Ultimate Sail Limited on a several basis and in proportion to their respective equity interest in Ultimate Vantage Limited. All funding in the Target Company was provided by Vanke HK in the form of shareholder's loan at market interest rate.

Employment and remuneration policy

The Target Company had no employees and did not pay any remuneration to its directors during the Period.

Significant investment held and future plans for material investments or capital assets

Save for the 20% equity interest in Ultimate Vantage Limited and related shareholder's loans, the Target Company did not have any significant investment held and future plans for material investments or capital assets subsequent to the end of the Period and up to the Latest Practicable Date.

Commitments and contingent liabilities

The maximum capital commitment for the Target Company in the TW6 Project, excluding the attributable acquisition cost of HK$716.9 million, was estimated to be HK$740 million. Such capital commitment is to be financed by bank loan obtained by Ultimate Vantage Limited and, failing which, by shareholders' loans to be contributed by the Target Company and

Ultimate Sail Limited on a several basis and in proportion to their respective equity interest in Ultimate Vantage Limited. Save for this, the Target Company did not have any significant commitments and contingent liabilities subsequent to the end of the Period and up to the Latest Practicable Date.

Charges on assets

There was no charge on the assets of the Target Company as at the Latest Practicable Date.

Foreign exchange exposure

The loan due from the Target Company to Vanke HK is in HK dollars and the Target Company operates in Hong Kong. Hence, the Target Company had no foreign currency exposure as at the Latest Practicable Date and no hedging against currency risk was required.

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

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

4 June 2013

The Directors
Vanke Property (Overseas) Limited

Dear Sirs,

Vanke Property (Overseas) Limited ("the Company")

We report on the unaudited pro forma financial information ("the Pro Forma Financial Information") of the Company and its subsidiaries ("the Group") set out on pages IV-3 to IV-6 in Appendix IV of the circular dated 4 June 2013 ("the Circular") in connection with the proposed acquisition of Wkdeveloper Limited ("the Target Company") and all Shareholder's Loan outstanding and owing by the Target Company ("the Proposed Acquisition"), which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the Proposed Acquisition might have affected the financial information presented. The basis of preparation of the unaudited Pro Forma Financial Information is set out on pages IV-3 to IV-6 of the Circular.

RESPONSIBILITIES

It is the responsibility solely of the directors of the Company to prepare the unaudited 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" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited 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 unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements ("HKSIR") 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review performed in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Company and that the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2012 or any future date.

OPINION

In our opinion:

(a) the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

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

(c) the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 4.29(1) of the Listing Rules.

Yours faithfully

KPMG

Certified Public Accountants
Hong Kong

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Set out below is the unaudited pro forma consolidated statement of assets and liabilities of the Group as at 31 December 2012 ("the Unaudited Pro Forma Financial Information") which has been prepared on the basis of the notes set out below and assumes that the Proposed Acquisition had been completed as at 31 December 2012 for the purpose of illustrating how the Proposed Acquisition might have affected the financial position of the Group at that date.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Proposed Acquisition been completed on 31 December 2012 or any future date.

(B) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

	Consolidated statement of assets and liabilities of the Group as at 31 December 2012	**Pro forma adjustments**	*Note*	**Unaudited pro forma consolidated statement of assets and liabilities of the Group**
	HK$'000	*HK$'000*		*HK$'000*
	Note (a)			
Non-current assets				
Investment properties	1,259,590	—		1,259,590
Interest in an associate	—	722,000	*(b)*	722,000
Deferred tax assets	1,994	—		1,994
	1,261,584	722,000		1,983,584
Current assets				
Trade and other receivables	15,883	—		15,883
Tax recoverable	17	—		17
Bank balances and cash	50,151	(42,000)	*(c)*	8,151
	66,051	(42,000)		24,051

	Consolidated statement of assets and liabilities of the Group as at 31 December 2012	Pro forma adjustments	Note	Unaudited pro forma consolidated statement of assets and liabilities of the Group
	HK$'000	*HK$'000*		*HK$'000*
	Note (a)			
Current liabilities				
Trade and other payables and accruals	(20,248)	—		(20,248)
Tax payable	(2,503)	—		(2,503)
	(22,751)	—		(22,751)
Net current assets	43,300	(42,000)		1,300
Total assets less current liabilities	1,304,884	680,000		1,984,884
Non-current liabilities				
Bank loans due after one year, secured	—	(530,000)	*(c)*	(530,000)
Amount due to an intermediate holding company	—	(150,000)	*(c)*	(150,000)
Deferred tax liabilities	(25,940)	—		(25,940)
	(25,940)	(680,000)		(705,940)
NET ASSETS	1,278,944	—		1,278,944

Notes:

(a) The consolidated statement of assets and liabilities of the Group is extracted from the audited consolidated balance sheet of the Group as at 31 December 2012 as set out in the Group's 2012 Annual Report.

(b) The Group is acquiring the entire issued share capital of the Target Company and all Shareholder's Loan due from the Target Company to the Vendor for a cash consideration of HK$722,000,000 (subject to upward adjustment). The Target Company legally and beneficially holds a 20% equity interest in Ultimate Vantage, which is the holder of the rights to the development of the TW6 Project.

The amount of the Consideration was determined after arms' length negotiations between the parties, with regard to the investment already made (whether by equity or by debt) by the Vendor in the TW6 Project, which comprises (1) the contributions to the Target Company for providing Ultimate Vantage to settle payments due under the TW6 Project to the MTRC Entities (20% of which amounting to approximately HK$716.9 million), (2) relevant costs of approximately HK$2.8 million paid by the Vendor in participating in the TW6 Project and (3) funding costs of the Vendor amounting to approximately HK$2.3 million on the provision of Shareholder's Loan from the date of advance(s) to the date of the Sale and Purchase Agreement (calculated at the rate of HIBOR for the relevant period plus 2.8% per annum).

(c) The aggregate Consideration for the Proposed Acquisition is HK$722,000,000 (subject to upward adjustment) payable in cash in the following manner:

(1) as to HK$572,000,000 and the amount of upward adjustment will be payable in cash upon Completion; and

(2) as to HK$150,000,000 will be payable in cash within 3 Business Days from the date on which not less than HK$150,000,000 in aggregate of the shareholder's loan advanced from the Target Company to Ultimate Vantage having been repaid to and actually received by the Target Company.

The Consideration is subject to upward adjustment as follows:

(1) by the amount of interest accrued on the Shareholder's Loan from the date of the Sale and Purchase Agreement until the date of Completion at the rate of 1-month HIBOR plus 2.8% per annum;

(2) if from the date of the Sale and Purchase Agreement and until the date of Completion, the Vendor has provided further shareholder's loan(s) to the Target Company for the purpose of financing its investment in the TW6 Project (which loan(s) should have been approved by the Company in advance), on a dollar-for-dollar basis by the principal amount of such loan(s) and the interest accrued thereon at the rate of 1-month HIBOR plus 2.8% per annum.

Simple interest should be accrued afresh for a period of every 30 days during which the principal amount of the Shareholder's Loan (or any part thereof) is outstanding ("the Loan Interest Period"), commencing from the date of advance or the date of the Sale and Purchase Agreement, as the case may be, until the date of Completion. In case Completion does not fall on the expiry date of the last Loan Interest Period, the interest for that Loan Interest Period should be reduced proportionally based on the number of days on which such Shareholder's Loan (or any part thereof) is outstanding.

As at 31 December 2012, the Group had total bank balances and cash of HK$50,151,000 and undrawn banking facilities of HK$600,000,000. For illustration purpose, bank balances and cash amounting to HK$42,000,000 are assumed to be applied and bank loans amounting to HK$530,000,000 (of which HK$300,000,000 has already been drawn in March 2013) are assumed to be drawn to finance the payment of portion of the Consideration of HK$572,000,000 payable upon completion of the Proposed Acquisition. No upward adjustment to the Consideration has been taken into account as the amount of the upward adjustment can only be ascertained upon actual completion of the Proposed Acquisition.

The balance of the Consideration of HK$150,000,000 due to Vanke HK is not repayable until Ultimate Vantage repays the shareholder's loan to the Target Company.

(d) A memorandum of understanding dated 21 January 2013 was entered into between Vanke HK and New World in relation to the setting up of a joint venture company owned 20% and 80% by Vanke HK and New World for bidding the development of Tsuen Wan West Station TW6 Property project. Immediately after the bid was accepted, shares of Ultimate Vantage Limited, the joint venture company, were allotted to the Target Company, a wholly owned subsidiary of Vanke HK, and Ultimate Sail Limited, a wholly owned subsidiary of New World, in the proportion of 20% and 80%.

(e) Apart from the adjustments as stated in notes (b), (c) and (d) above, no adjustments have been made to reflect any trading results or other transactions of the Group and the Target Company entered into subsequent to 31 December 2012.

The following is the full text of a letter and valuation certificate from Vigers Appraisal & Consulting Limited, an independent valuer, prepared in connection with its valuation as at 16 April 2013 of the interests to be acquired by the Group for inclusion in this circular.

Vigers Appraisal & Consulting Limited
International Asset Appraisal Consultants

10th Floor
The Grande Building
398 Kwun Tong Road
Kwun Tong
Kowloon
Hong Kong

4 June 2013

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

Dear Sirs,

In accordance with the instructions of Vanke Property (Overseas) Limited (the "**Company**") for us to value the property interest held by Ultimate Vantage Limited ("**Ultimate Vantage**") in the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interest as at 16 April 2013 ("**date of valuation**") for the purpose of incorporation in the circular.

Our valuation is our opinion of the market value of the property interest which we would define market value as intended to mean "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 wherein the parties had each acted knowledgeably, prudently and without compulsion".

In valuing the property interest, which is held by Ultimate Vantage for future development in Hong Kong, we have valued the property by direct comparison approach by making reference to comparable transactions as available in the open market assuming sale with the benefit of vacant possession.

Our valuation has been made on the assumption that the owner sells the property interest on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interest. In addition, no forced sale situation in any manner is assumed in our valuation.

We have relied to a considerable extent on information provided by the Company and have accepted advice given to us by the Company on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, site and floor areas and in the identification of the property and other relevant matter. We have carried out searches at the Land Registry. However, we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. We have also been advised by the Company that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only.

All dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Company and are approximations only. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the property are free from defect. No tests were carried out on any of the services.

We have not carried out investigations on site to determine the suitability of ground conditions and services etc. for any future development, nor have we undertaken any ecological or environmental surveys. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during construction period.

No allowance has been made in our valuation 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. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Our valuation is prepared in accordance with the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all money amounts stated are in Hong Kong Dollars (HK$).

We enclose herewith the valuation certificate.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor (GP)
MRICS MHKIS MSc(e-com)
Managing Director

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), has over twenty five years' experiences in undertaking valuations of properties in Hong Kong.

VALUATION CERTIFICATE

Property interest held by Ultimate Vantage for future development in Hong Kong

Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 16 April 2013
A parcel of land underlying the TW6 Project located at the west of Wing Shun Street, Tsuen Wan, New Territories Hong Kong	The property comprises a parcel of land having a site area of approximately 13,804 sq.m. underlying the West Rail Tsuen Wan West Station TW6 Property Development (to be known as Tsuen Wan Town Lot No. 402). The property will be held under Conditions of Exchange for a term of 50 years commencing from the date of the executed Conditions of Exchange.	The property is currently vacant.	HK$3,600,000,000

Notes:

1. According to the information provided by the Company, the rights to develop the TW6 Project have been granted by MTRC Entities, the legal owner of the property, to Ultimate Vantage Limited.

2. According to the information provided by the Company, the property is subject to a proposed Conditions of Exchange to permit a non-industrial development of the property which offers, inter alias, the following basic terms and development conditions:

(i)	Lot No.	:	Tsuen Wan Town Lot No. 402
(ii)	Site Area	:	approximately 13,804 sq.m.
(iii)	User	:	Non-industrial (excluding godown, petrol filling station and hotel)
(iv)	Gross Floor Area (GFA)	:	Total GFA: Minimum 37,627 sq.m.; maximum 62,711 sq.m. Total Residential GFA: Minimum 37,627 sq.m.; maximum 62,711 sq.m.
(v)	Number and Size of Residential Units	:	Total number of residential units shall not be less than 894 of which not less than 520 residential units shall be in the size of not exceeding 50 sq.m. in saleable area each
(vi)	Building Height	:	Not exceeding 179.5 metres above Hong Kong Principal Datum (HKPD)
(vii)	Design and Disposition	:	Design and disposition of any building or buildings shall be subject to the approval in writing of the Director of Lands
(viii)	Provision of Government Accommodation	:	One public sports centre with a GFA of 12,000 sq.m. or such lesser area as may be approved by the Director of Lands; parking spaces of motor vehicles; loading and unloading bays; lay-bys; and associated access roads for vehicular and pedestrian traffic

(ix)	Parking Spaces	:	Provision of Residential Parking Spaces — at a rate to be calculated by reference to the respective size of the residential units as set out in the table below: Less than 40 sq.m.: 1 space for every 25.5 residential units 40 sq.m. to 70 sq.m.: 1 space for every 15.3 residential units 70 sq.m. to 100 sq.m.: 1 space for every 6.1 residential units 100 sq.m. to 160 sq.m.: 1 space for every 3 residential units 160 sq.m. to 220 sq.m.: 1.5 spaces for every residential unit Not less than 220 sq.m.: 2 spaces for every residential unit
(x)	Building Covenant	:	72 months from the date of the executed Conditions of Exchange
(xi)	Annual Government Rent	:	An amount equal to 3% of the rateable value from time to time of the lot

3. The property lies within an area zoned "Comprehensive Development Area" under Tsuen Wan Outline Zoning Plan.

4. The property is located at the south-western part of the town centre of Tsuen Wan and is close to the coastal line of the western part of Tsuen Wan. The property is easily accessible to the nearby Tsuen Wan West MTR Station. Several old and new residential developments can be found in that area. As for the general residential property market condition, the Hong Kong government introduced a set of policy measures to stabilize property prices in late February 2013. These measures dampened market sentiment in the residential market and created negative pressure on both transaction activities and prices. Despite the drop in sales volumes, demand from end-users on the back of the still low interest rate environment and sustained income growth continued to dominate the market. After a few years of undersupply of residential units, forecast completions for 2013 and 2014 reflect an increase in supply. There are around 14,000 and 16,000 units are scheduled to be completed in this year and next. The growth of supply can pose positive impact to further stabilize the market. The general price level of newly developed residential units in Tsuen Wan was about HK$12,000-HK$15,000/sq.ft. on a saleable area basis.

5. The property was inspected by Mr. Clement Tam, Chartered Surveyor, on 9 April 2013.

1. 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.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in equity or debt securities

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) 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 the Directors and the chief executive were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:

(i) Interests in the Company

	Number of ordinary shares held					
Name of Director	**Interest held as beneficial owner**	**Interest held by spouse**	**Interests held by controlled corporations**	**Other interests**	**Total**	**Percentage of issued share capital**
Chung Wai Sum, Patrick	200,000	—	—	—	200,000	0.08%

Notes:

1. The total number of ordinary shares of the Company in issue as at the Latest Practicable Date was 259,685,288.

2. All the above interests represent long position.

(ii) Interests in an associated corporation, China Vanke

	Number of ordinary shares held						
Name of Director	Interest held as beneficial owner	Interest held by spouse	Interests held by controlled corporations	Other interests	Number of underlying shares held under equity derivatives *(Note 1)*	Total	Percentage of issued share capital *(Note 2)*
Zhang Xu	659,039	—	—	—	550,000	1,209,039 A Shares	0.01%
Que Dong Wu	1,175,700	—	—	—	750,000	1,925,700 A Shares	0.02%
Wang Wen Jin	2,223,591	—	—	—	1,320,000	3,543,591 A Shares	0.04%
Chan Chi Yu	—	—	500,203	—	—	500,203 B Shares	0.04%

Notes:

1. These represented interests in share options granted by China Vanke to its directors and employees as beneficial owners, details of which are set out in the sub-section (iii) headed "*Underlying shares in China Vanke*".

2. The total number of ordinary A shares of China Vanke in issue as at the Latest Practicable Date was 9,695,052,381, and the total number of ordinary B shares of China Vanke in issue as at the Latest Practicable Date was 1,314,955,468. 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.

3. All the above interests represent long position.

(iii) Underlying shares in China Vanke

Name of Director	Exercise period	Exercise price *RMB*	Number of entitled shares as at the Latest Practicable Date
Zhang Xu	12 July 2012 to 24 April 2014	8.48	100,000
	1 May 2013 to 24 April 2015	8.48	225,000
	1 May 2014 to 24 April 2016	8.48	225,000
			550,000
Que Dong Wu	12 July 2012 to 24 April 2014	8.48	300,000
	1 May 2013 to 24 April 2015	8.48	225,000
	1 May 2014 to 24 April 2016	8.48	225,000
			750,000
Wang Wen Jin	1 May 2013 to 24 April 2015	8.48	660,000
	1 May 2014 to 24 April 2016	8.48	660,000
			1,320,000

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company was interested in the Shares, underlying shares or debentures of the Company and 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 the Directors or the chief executive were taken or deemed to have under such provisions of the SFO) or which are required to be entered into the register maintained by the Company under section 352 of the SFO or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Discloseable interests and short positions of shareholders under the SFO

As at the Latest Practicable Date, so far as is known to any of the Directors or chief executive of the Company, 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 Group, or which was recorded in the register required to be kept by the Company under section 336 of the SFO:

	Number of ordinary shares held						
Name of substantial shareholder	Long position/ short position	Interests held as beneficial shareholder	Interests held by controlled corporations	Other interests	Number of underlying shares held under equity derivatives	Total number of shares in which the shareholder is interested	Percentage of shareholding
China Vanke	Long position	—	194,763,966 *(Note 1)*	—	—	194,763,966	75.0%
CITIC Securities Company Limited	Long position	—	23,100,000 *(Note 2)*	—	—	23,100,000 *(Note 2)*	8.90%

Notes:

1. As recorded in the Company's register to be kept in accordance with section 336 of the SFO (the "Register"), China Vanke was interested in 194,763,966 Shares held under Wkland Investments as at the Latest Practicable Date. Wkland Investments is a direct wholly owned subsidiary of Wkland Limited. Wkland Limited is a direct wholly owned subsidiary of the Vendor. The Vendor 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, CITIC Securities Company Limited was interested in 23,100,000 Shares as at the Latest Practicable Date, comprising 11,400,000 Shares beneficially owned by Dragon Stream Investment Limited and 11,700,000 Shares beneficially owned by CSI Capital Management Limited. Both Dragon Stream Investment Limited and CSI Capital Management Limited are direct wholly owned subsidiaries 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 or chief executive of the Company, 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 Group, or which was recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

3. COMPETING INTEREST

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

Name of director	Position held in China Vanke
Zhang Xu	Vice President
Que Dong Wu	Managing Director of the Hong Kong Division
Wang Wen Jin	Executive Vice President
Chan Chi Yu	Consultant

China Vanke Group (excluding the Group) are principally engaged in property development and investment in the Mainland China. Chan Chi Yu does not participate in the routine businesses of China Vanke and the Group. Wang Wen Jin does not participate in the routine businesses of the Group. Also, China Vanke is a company listed on the Shenzhen Stock Exchange with an independent management team and administration which are separate from those of the Group. In this respect, coupled with the diligence of the Company's independent non-executive Directors and the members of its audit committee, the Group is capable of carrying on its businesses at arm's length and independently of any possible competing businesses with China Vanke. China Vanke Group (excluding the Group) has not participated in any property investment activities in Hong Kong. The Group is currently only engaged in property investment activities in Hong Kong. As a result, the Directors consider that the Vendor's participation in the TW6 Project, which is a property development project, does not constitute a competing business between the China Vanke Group (excluding the Group) and the Group.

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

4. INTERESTS IN CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors was materially interested in any contracts or arrangement entered into by any member of the Group which is subsisting as at the Latest Practicable Date and which is significant in relation to the business of the Enlarged Group.

None of the Directors has any direct or indirect interest in any assets which have been, since 31 December 2012, being the date to which the latest published audited accounts 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.

5. MATERIAL ADVERSE CHANGE

Save for the financial effects caused by the Proposed Acquisition, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2012, the date to which the latest published audited accounts of the Group have been made up.

6. 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.

7. 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 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).

8. EXPERTS

(a) The following are the qualifications of the experts who have given opinion or advice contained in this circular:

Name	Qualification
Halcyon Capital Limited	a corporation licensed under the SFO to conduct type 6 (advising on corporate finance) regulated activity as defined under the SFO
KPMG	Certified Public Accountants
Vigers Appraisal & Consulting Limited	Professional property valuer

(b) As at the Latest Practicable Date, none of the Independent Financial Advisor, the Auditor or the Independent Valuer had any shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

(c) Each of the Independent Financial Advisor, the Auditor or the Independent Valuer has given and has not withdrawn its written consent to the issue of this circular, with inclusion of its letter and references to its name in the form and context in which it is included.

(d) As at the Latest Practicable Date, none of the Independent Financial Advisor, the Auditor or the Independent Valuer was interested, directly or indirectly, in any assets which had since 31 December 2012 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Enlarged Group or which are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

9. 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 Group within the two years immediately preceding the date of this circular and are, or may be, material:

(a) an agreement dated 18 June 2012 entered into between Parex International Limited, Future Best Developments Limited and Winsor Properties Financial Services Limited ("**WPFSL**" now known as WK Property Financial Limited), regarding the acquisition by the Group of 4.76% equity interest in WPFSL at a cash consideration equal to 1/21 of the consolidated net assets of WPFSL and its subsidiary on the completion date (which was HK$14,333,000);

(b) a management agreement dated 18 June 2012 between Cherrytime Investments Limited and Future Best Developments Limited, regarding the provision of management and administrative services by the subsidiaries of Cherrytime Investments Limited to the Group, which agreement is terminable by either party's one month notice; and

(c) the Sale and Purchase Agreement.

10. 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 up to and including the date of the EGM:

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

(b) the letter from the Board, the text of which is set out on pages 5 to 17 of this circular;

(c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 18 of this circular;

(d) the letter from the Independent Financial Advisor to the Independent Board Committee, the text of which is set out on pages 19 to 40 of this circular;

(e) the letters of consent from the Independent Financial Advisor, the Auditor and the Independent Valuer, referred to in the paragraph headed "Experts" in this Appendix;

(f) the annual reports of the Company for the three financial years ended 31 December 2010, 2011 and 2012;

(g) the accountant's report of the Target Company, the text of which is set out in Appendix II of this circular;

(h) the report on unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV of this circular;

(i) the valuation report from the Independent Valuer, the text of which is set out in Appendix V to this circular;

(j) the Sale and Purchase Agreement;

(k) the material contracts referred to in the section headed "Material Contracts" in this Appendix; and

(l) this circular.

11. MISCELLANEOUS

(a) The company secretary of the Company is Ms. Lai Ivy, a solicitor qualified to practice Hong Kong laws.

(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 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(e) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese text in case of inconsistency.

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 IS HEREBY GIVEN THAT the extraordinary general meeting of Vanke Property (Overseas) Limited (the "**Company**") will be held at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong at 10:30 a.m. on Friday, 21 June 2013 for the purpose of considering and if thought fit, passing, with or without amendment, the following ordinary resolution:

ORDINARY RESOLUTION

"**THAT:**

(a) the sale and purchase agreement dated 16 May 2013 (the "**Sale and Purchase Agreement**", a copy of which has been produced to this meeting and marked "A" and initialled by the chairman of the meeting for the purpose of identification) entered into between Vanke Property (Hong Kong) Company Limited (the "**Vendor**") as the vendor and Mainland Investments Group Limited (the "**Purchaser**") as the purchaser, in relation to the acquisition by the Purchaser or its nominee of the entire issued share capital of Wkdeveloper Limited (the "**Target Company**") and all the shareholder's loan owed by the Target Company to the Vendor as at completion of the Sale and Purchase Agreement at a total consideration of HK$722,000,000 (subject to upward adjustment in accordance with the terms of the Sale and Purchase Agreement) and the transactions contemplated thereunder, be and are hereby approved; and

(b) any one of the executive directors of the Company be and is hereby authorised to do all such acts and things, execute all such documents and exercise all powers as he/she considers necessary or expedient or desirable in connection with, or to give effect to, the Sale and Purchase Agreement and to implement and/or give effect to the transactions contemplated thereunder including without limitation to the execution, amendment, supplement, delivery, waiver, submission and implementation of any further documents or agreements."

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

Hong Kong, 4 June 2013

Notes:

1. A member entitled to attend and vote at the extraordinary general meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his/her behalf. A proxy need not be a member of the Company but must be present in person at the extraordinary general meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. A form of proxy for use at the extraordinary general meeting is enclosed. Such form of proxy is also published on the website of the Stock Exchange at www.hkexnews.hk. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, at the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the extraordinary general meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the extraordinary general meeting or any adjournment thereof, should he/she so wish.

3. In the case of joint holders of shares, any one of such holders may vote at the extraordinary general meeting, either personally or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the extraordinary general meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

4. As at the date hereof, the directors of the Company are:

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

   Non-Executive Directors:
   Mr. Wang Wen Jin, Mr. Chan Chi Yu

   Independent Non-Executive Directors (in alphabetical order):
   Mr. Chan Wai Hei, William, Mr. Chung Wai Sum, Patrick, Mr. Shium Soon Kong