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vanke 万科
萬科置業(海外)有限公司
VANKE PROPERTY (OVERSEAS) LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01036)

**MAJOR TRANSACTION
PROVISION OF FINANCIAL ASSISTANCE TO
THE JOINT VENTURE COMPANY**

12 September 2016

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DEFINITIONS

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

“Affiliates”	in relation to any person (other than an individual), any company or other business entity (i) that is controlled by such person, (ii) that controls such person or (iii) is under common control with such person. For the purpose of this circular, “control” means direct or indirect ownership of more than 50% of the voting securities or interests in another person, or the ability to direct the management or policies of such person, whether by contract or otherwise;
“Agent”	New World Real Estate Agency Limited, a wholly-owned subsidiary of the JV Partner, which is appointed as the sales and letting agent for the TW6 Project;
“Agreements for Sale and Purchase”	sale and purchase agreements to be entered into by TW6 Limited and/or the Joint Venture Company with intended purchasers in respect of the sale and purchase of the residential units and car parking spaces in the TW6 Project;
“Authorized Person”	an authorized person appointed pursuant to the Building Ordinance (Cap. 123) for the purposes of a construction contract;
“Board”	board of Directors;
“China Vanke”	China Vanke Co., Ltd., a joint stock company incorporated in the PRC and the H shares and A shares of which are listed on the main board of the Stock Exchange (stock code: 02202) and the Shenzhen Stock Exchange (stock code: 000002). China Vanke is the ultimate holding company of the Company;
“Company”	Vanke Property (Overseas) Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the main board of the Stock Exchange (stock code: 01036);
“Corporate Guarantees”	the unconditional and irrevocable several guarantees provided by the Company in favor of The Hongkong and Shanghai Banking Corporation Limited and Hang Seng Bank Limited in respect of the Joint Venture Company’s obligations under the Facility Letters;
“Director(s)”	director(s) of the Company;

DEFINITIONS

“Facility Letters”	banking facility letters in relation to the granting of the facilities of Finance Undertakings of up to a total of HK\$2,840 million;
“Finance Undertakings”	letter of undertakings issued by the finance parties in the Facility Letters in favor of The Government of Hong Kong and The Director of Lands confirming that the finance parties would pay up to HK\$2,840 million or such reduced amount as set out in the finance undertakings to TW6 Limited or to any other person or persons as The Director of Lands shall direct to ensure completion of the development of the TW6 Project;
“Group”	the Company and its subsidiaries from time to time;
“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 Third Party(ies)”	a third party(ies) independent of the Company and its connected persons (as defined in the Listing Rules);
“JV Partner”	New World Development Company Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the main board of the Stock Exchange (stock code: 00017);
“JV Partner Group”	the JV Partner and its subsidiaries from time to time;
“JV Partner Subsidiary”	Ultimate Sail Limited, which is a company wholly-owned by the JV Partner and legally holding 80% equity interest in the Joint Venture Company;
“Joint Venture Company”	Ultimate Vantage Limited, whose issued share capital is legally and beneficially owned as to 20% by Wkdeveloper and 80% by the JV Partner Subsidiary, which has been granted the rights to develop the TW6 Project by TW6 Limited;
“Latest Practicable Date”	7 September 2016, 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;

DEFINITIONS

“Loan Facilities”	the committed term loan facilities dated 30 June 2014 granted by a syndicate of financial institutions, including The Hongkong and Shanghai Banking Corporation Limited and Hang Seng Bank Limited, to the Joint Venture Company of up to HK\$4,800 million for the purpose of financing in part the land premium, the construction costs relating to the residential portion of the TW6 Project and the construction costs relating to the government accommodation portion of the TW6 Project;
“PRC”	the People’s Republic of China and, for the purpose of this circular, exclude Hong Kong, Macau Special Administrative Region and Taiwan;
“Rights Issue”	a rights issue of the Company on the basis of one rights share for every two existing shares of the Company held on 13 July 2015 at the subscription price of HK\$8.04 per rights share, which was completed in August 2015;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company;
“Shareholder(s)”	holders of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiaries”	has the meaning ascribed to it under the Listing Rules;
“TW6 Limited”	Tsuen Wan West TW6 Property Development Limited, which is assigned with the exclusive right and privilege to hold and to develop the land lot known as Tsuen Wan Town Lot No. 402;
“TW6 Project”	the West Rail Tsuen Wan West Station TW6 Property Development of a land lot known as Tsuen Wan Town Land Lot No. 402, and the business and operations in connection with such project;
“TW6 Shareholders’ Agreement”	the shareholders’ agreement in relation to the Joint Venture Company dated 22 April 2014 and entered into among the Company, Wkdeveloper, VPHK, the JV Partner, the JV Partner Subsidiary and the Joint Venture Company;
“US\$”	United States dollar(s), the lawful currency of the United States of America;

DEFINITIONS

“VPHK”	Vanke Property (Hong Kong) Company Limited, which is legally holding 100% equity interest in Wkland Limited which in turn is holding 100% equity interest in Wkland Investments. VPHK is indirectly wholly-owned by China Vanke;
“Wkdeveloper”	Wkdeveloper Limited, which is indirectly wholly-owned by the Company and legally holding 20% equity interest in the Joint Venture Company;
“Wkland Investments”	Wkland Investments Company Limited, which is legally holding 292,145,949 Shares, representing 75% of the issued share capital of the Company; and
“%”	per cent.

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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 Director:

Mr. Chan Chi Yu

Independent Non-Executive Directors:

Mr. Chan Wai Hei, William
Ms. Law Chi Yin, Cynthia
Mr. Shium Soon Kong

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Place of Business in Hong Kong:

55/F, Bank of China Tower,
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Hong Kong

Hong Kong, 12 September 2016

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
PROVISION OF FINANCIAL ASSISTANCE TO
THE JOINT VENTURE COMPANY**

We refer to the announcement of the Company dated 11 August 2016 relating to the provision of Corporate Guarantees in favour of the finance parties in the Facility Letters for the purpose of issuing Finance Undertakings to support the pre-sale application of the TW6 Project.

The purpose of this circular is to provide you with, among other things, further information on the provision of the Corporate Guarantees and certain other information in accordance with the requirements of the Listing Rules.

BACKGROUND

Reference is made to (i) the announcements of the Company dated 16 May 2013 and 22 April 2014 and the circulars of the Company dated 4 June 2013 and 15 May 2014, under which the Company disclosed that it acquired 20% effective interest in the development of the TW6 Project and that the Company, Wkdeveloper, VPHK, the JV Partner, the JV Partner Subsidiary and the Joint Venture Company entered into the TW6 Shareholders' Agreement to regulate the relationship of the shareholders of the Joint Venture Company inter se and the

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management of the affairs of the Joint Venture Company; (ii) the announcement of the Company dated 30 June 2014 and the circular of the Company dated 22 July 2014, under which the Company and the JV Partner provided corporate guarantees on a several basis and in proportion to their respective shareholding interests in the Joint Venture Company in respect of the Loan Facilities.

PROVISION OF THE CORPORATE GUARANTEES

As at the Latest Practicable Date, the Joint Venture Company is owned as to 20% by Wkdeveloper, an indirect wholly-owned subsidiary of the Company, and 80% by the JV Partner Subsidiary, an indirect wholly-owned subsidiary of the JV Partner.

In relation to the Facility Letters, the Company and the JV Partner are required to provide corporate guarantees, on a several basis and in proportion to their respective shareholding interests in the Joint Venture Company, in respect of the Joint Venture Company's obligations thereunder. The Company will accordingly be guaranteeing an aggregate principal amount of HK\$568 million pursuant to the Corporate Guarantees given under the Facility Letters.

SUMMARY OF THE PRINCIPAL TERMS OF THE FACILITY LETTERS

On 11 August 2016, the Company as a guarantor entered in the Facility Letters, the principal terms of which are set out as follows:

	Facility Letter I	Facility Letter II
Finance Party	The Hongkong and Shanghai Banking Corporation Limited	Hang Seng Bank Limited
Facility amount	Up to HK\$2,400 million	Up to HK\$440 million
Applicant	The Joint Venture Company	
Guarantors	(i) Up to 80% of the facility amount by the JV Partner; and (ii) Up to 20% of the facility amount by the Company	
Purpose	To issue Finance Undertakings in favor of The Government of Hong Kong and The Director of Lands to support the pre-sale application of the TW6 Project	

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	Facility Letter I	Facility Letter II
Maturity	<p>The liability of the finance parties under the Finance Undertakings shall cease and determine on whichever is the earlier of the following:</p> <p>(a) 30 June 2020; or</p> <p>(b) upon (i) the issue by The Director of Lands of the consent to assign in relation to the TW6 Project, or (ii) if no consent to assign has been issued, the issue by The Director of Lands of a certificate of compliance in respect of the TW6 Project and the issue of a certificate by an Authorized Person to The Director of Lands confirming that the fittings and finishes of those units in the TW6 Project which have been sold under the consent will be incorporated in accordance with the terms and conditions of the Agreements for Sale and Purchase; or</p> <p>(c) when the total amount of pre-sale deposits of the TW6 Project in the stakeholders' account(s) maintained by the Joint Venture Company's solicitors under the terms of the Agreements for Sale and Purchase is sufficient to meet the outstanding development costs required to complete the TW6 Project; or</p> <p>(d) when the outstanding development costs for completion of the TW6 Project has been reduced to zero.</p>	

INFORMATION OF THE GROUP, THE JOINT VENTURE COMPANY, THE JV PARTNER GROUP AND THE TW6 PROJECT

The principal activities of the Group are property investment and management and property development. As at the date hereof, the principal assets of the Group are various units and car parking spaces in Regent Centre, Kwai Chung, New Territories, Hong Kong which are investment properties for generating rental income and 20% effective interest in the Joint Venture Company, which is an associated company engaged in the development of the TW6 Project.

As at the Latest Practicable Date, the Joint Venture Company is owned as to 20% by Wkdeveloper, an indirect wholly-owned subsidiary of the Company, and 80% by the JV Partner Subsidiary, an indirect wholly-owned subsidiary of the JV Partner.

The JV Partner Group is principally engaged in property development and investments in the areas of property, infrastructure, hotel operation, department store operation, services and technology businesses.

The TW6 Project involves the non-industrial development of a land lot (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)

LETTER FROM THE BOARD

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.

TW6 Limited has recently made an application for pre-sale of the TW6 Project at the request of the Joint Venture Company and, barring any unforeseen circumstances, the project is expected to be launched to the market for pre-sale in the fourth quarter of 2016. As at the date hereof, development of the TW6 Project has proceeded to the superstructure stage and is scheduled for completion in 2018.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the JV Partner and its Affiliates, the finance parties in the Facility Letters and their respective ultimate beneficial owners are Independent Third Parties.

Set out below is the financial information of the Joint Venture Company based on its audited financial statements for the two financial years immediately preceding the transaction.

	Year ended 30 June 2015	Year ended 30 June 2014
	<i>HK\$</i>	<i>HK\$</i>
Loss before taxation	47,595	41,555
Loss after taxation	47,595	41,555

The statement of financial position of the Joint Venture Company as at 30 June 2016 and the Group's attributable interest therein are set out below.

	<i>Note</i>	Statement of financial position of the Joint Venture Company <i>HK\$ million</i>	Group's attributable interest <i>HK\$ million</i>
Current assets		4,525	905
Current liabilities		(87)	(17)
Loans due to shareholders — non-current portion	<i>(a)</i>	(2,513)	(464)
Other non-current liabilities		(1,908)	(382)
Net assets		17	3

Note:

- (a) The balance is unsecured, interest-bearing at HIBOR plus 2.2% per annum, has no fixed terms of repayment and is expected to be repaid after one year.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE FINANCIAL ASSISTANCE GIVEN UNDER THE FACILITY LETTERS

The Company providing the Corporate Guarantees is a condition precedent to the Joint Venture Company's ability to obtain banking facilities for the issue of Finance Undertakings. Without the Finance Undertakings, The Director of Lands will not grant the approval for pre-sale of the TW6 Project.

The Directors consider the entering into of the provision of the Corporate Guarantees has been determined after arm's length negotiations between the parties, and are on normal commercial terms, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF PROVISION OF THE CORPORATE GUARANTEES

The Directors consider that the provision of the Corporate Guarantees will not have any material financial impact on the earnings, assets and liabilities of the Group except that the amount of the Corporate Guarantees will be a contingent liability for the Group.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in relation to the provision of the Corporate Guarantees is greater than 25% but less than 100%, the provision of the Corporate Guarantees constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the notification, announcement, circular and shareholders' approval requirements under the Listing Rules.

The Directors confirm that, to the best of their knowledge, information and belief after having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interests in the provision of the Corporate Guarantees. As such, no Shareholders would be required to abstain from voting under the Listing Rules if the Company were to convene a general meeting for the approval of the provision of the Corporate Guarantees.

As at the Latest Practicable Date, Wkland Investments, the controlling Shareholder which holds 292,145,949 Shares, representing 75% of the issued share capital of the Company, has given a written certificate to the Company to approve the provision of the Corporate Guarantees, and confirms that neither it nor its associates have any material interest in the transaction.

The written Shareholders' approval of Wkland Investments is accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. No extraordinary general meeting of the Company will therefore be required to be convened to approve the transaction and the purpose of this circular is to provide you with, among other things, certain information pertaining to the transaction and the Company as required under the Listing Rules.

LETTER FROM THE BOARD

The provision of the Corporate Guarantees also constitutes financial assistance for the benefit of an affiliated company, namely the Joint Venture Company, for the purpose of Rule 13.16 of the Listing Rules.

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

1. INDEBTEDNESS STATEMENT

Indebtedness

At the close of business on 31 July 2016, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the Group had no outstanding interest-bearing debts.

The Group had a contingent liability of HK\$960 million as at 31 July 2016 in respect of a corporate guarantee given in relation to the Loan Facilities. The corporate guarantee was given on a several basis and in proportion to the Group's shareholding interest of 20% in the Joint Venture Company. Out of the total Loan Facilities of HK\$4,800 million, HK\$2,052 million was utilised by the Joint Venture Company as at 31 July 2016.

General

Save as aforesaid or as otherwise disclosed herein and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, the Group did not have any outstanding debt securities and loan capital issued and outstanding or agreed 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 at the close of business on 31 July 2016.

Other than the provision of the Corporate Guarantees, the Directors confirmed that there was no material change in the indebtedness and contingent liabilities of the Group since 31 July 2016 and up to the Latest Practicable Date.

2. WORKING CAPITAL

In the absence of unforeseen circumstances and after taking into account the financial resources available to the Group, the Directors are of the opinion that the Group would have sufficient working capital for its current requirements for at least next twelve months from the date of this circular.

3. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group is currently engaged in property investment activity through holding of various units and car parking spaces in Regent Centre, Kwai Chung, New Territories, Hong Kong and property development activity through holding of 20% effective interest in the TW6 Project.

As announced on 9 August 2016, the Directors reallocated the use of the remaining net proceeds from the Rights Issue as follows:

- (i) approximately HK\$65.0 million for funding sales and marketing expenses and other expenditure for the TW6 Project, which are not covered by the permitted use of the Loan Facilities;
- (ii) approximately HK\$35.0 million for upgrading the air conditioning system in Regent Centre; and
- (iii) the remaining balance of approximately HK\$609.2 million for acquisition of land or property projects.

In the opinion of the Directors, the reallocation of the use of the remaining net proceeds from the Rights Issue facilitates a more efficient allocation of the financial resources of the Group and provides immediate source of finance for the Group to fund for its commitment in the TW6 Project and the capital expenditure to be incurred for upgrading the air conditioning system in Regent Centre in the next twelve months from the date of this circular. Meanwhile, the Group will continue pursuing opportunities to increase its property portfolio, focusing primarily on acquisition of land or property projects in Hong Kong, by utilizing the remaining proceeds from the Rights Issue of HK\$609.2 million and, if required, the proceeds to be generated by mortgaging its property interest in Regent Centre.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, the date to which the latest published audited financial statements of the Group have been made up.

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) Director's interests and short positions in equity or debt securities

As at the Latest Practicable Date, the interests and short positions of the Directors 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 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:

Interests in an associated corporation, China Vanke

Name of Director	Type of shares	Interest held as beneficial owner	Number of ordinary shares held			Number of underlying shares held under equity derivatives	Total interests	Percentage of issued share capital (Note)
			Interest held by spouse	Interest held by controlled corporations	Other interests			
Zhang Xu	A shares	904,039	—	—	—	—	904,039	0.01%
Que Dong Wu	A shares	1,220,700	—	—	—	—	1,220,700	0.01%
Chan Chi Yu	H shares	—	—	500,203	—	—	500,203	0.04%

Note: The total number of ordinary A shares of China Vanke in issue as at Latest Practicable Date was 9,724,196,533, and the total number of ordinary H shares of China Vanke in issue as at Latest Practicable Date was 1,314,955,468. 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.

All the interests in the shares disclosed under this section represent long position in the shares of the associated corporations of the Company. Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or any of their spouses or children aged under eighteen years of age had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be (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 were taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register kept by the Company under section 352 of the SFO; or (iii) notified to the Company and the Hong Kong 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, the following person (other than a person who is a Director) 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 (the “Register”):

The Company

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

Notes:

- As recorded in the Register, the 292,145,949 Shares are held by China Vanke through Wkland Investments. Wkland Investments is a direct wholly-owned subsidiary of Wkland Limited. Wkland Limited is a direct wholly-owned subsidiary of VPHK. VPHK is a direct wholly-owned subsidiary of Shanghai Vanke Real Estate Company Limited. Shanghai Vanke Real Estate Company Limited is a direct wholly-owned subsidiary of Shanghai Vanke Investment and Management Company Limited. Shanghai Vanke Investment and Management Company Limited is a direct wholly-owned subsidiary of China Vanke.
- As recorded in the Register, the 30,080,000 Shares are held by CSI Capital Management Limited (“CSI”), which is a direct wholly-owned subsidiary of CITIC Securities International Company Limited, which in turn is a wholly-owned subsidiary of CITIC Securities Company Limited.

As at the Latest Practicable Date, so far as is known to any of the Directors, the Company had not been notified of any other person (other than the Directors) 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.

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
Mr. Zhang Xu	Executive Vice President and Chief Operating Officer of China Vanke
Ms. Que Dong Wu	Vice President and Managing Director of the Hong Kong Division of China Vanke
Mr. Chan Chi Yu	Director of certain subsidiaries and affiliates of China Vanke

The Group is principally engaged in property development and investment businesses in Hong Kong. VPHK and its subsidiaries (excluding the Group) are also involved in property business in Hong Kong. As a result, this may constitute competing business between the two groups.

VPHK is an indirect wholly-owned subsidiary of China Vanke. Mr. Zhang Xu and Ms. Que Dong Wu, both being executives of China Vanke, are common directors of the Company and VPHK. Mr. Chan Chi Yu is a director of certain subsidiaries and affiliates of China Vanke. Mr. Zhang Xu, Ms. Que Dong Wu and Mr. Chan Chi Yu have beneficial interests in the issued shares of China Vanke.

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

As at the Latest Practicable Date, the Directors did not aware of any other business of China Vanke which competes or is likely to compete, either directly or indirectly, with the Group's businesses.

4. INTERESTS IN CONTRACT OR ARRANGEMENT

On 18 December 2015, the management agreement between the Company and VPHK regarding sharing of administrative services on a cost basis was renewed for a period of three years commencing from 1 January 2016. The agreement is terminable by either party by giving one month's notice. The amount of management and administrative fee paid by the Group for such service amounted to HK\$1,327,000 for the year ended 31 December 2015.

The Company is an indirect 75% owned subsidiary of VPHK, which in turn is an indirect wholly-owned subsidiary of China Vanke. Mr. Zhang Xu and Ms. Que Dong Wu are directors of VPHK and each of them is an executive of China Vanke and beneficially interested in the issued shares of China Vanke. Mr. Chan Chi Yu is a director of certain subsidiaries and affiliates of China Vanke and is beneficially interested in the issued shares of China Vanke.

Save as disclosed above, 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 Group.

Save as disclosed above, none of the Directors has any direct or indirect interest in any assets which have been, since 31 December 2015, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

5. 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 Group.

6. 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).

7. 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) a deed of undertaking and indemnity dated 17 November 2014 executed by the Joint Venture Company, the JV Partner and the Company in favour of TW6 Limited regarding, among other things, the Joint Venture Company's obligations in a lease modification granted by The Director of Lands for the TW6 Project;
- (b) an underwriting agreement dated 25 June 2015 (the "Underwriting Agreement") executed by the Company, Credit Suisse (Hong Kong) Limited ("Credit Suisse") and CLSA Limited ("CLSA") regarding the Rights Issue at an underwriting commission of US\$1,250,000;
- (c) an irrevocable undertaking dated 25 June 2015 executed by the Company, Credit Suisse, CLSA and Wkland Investments regarding, among other things, Wkland Investments' obligations under the Rights Issue and the Underwriting Agreement;

- (d) an irrevocable undertaking dated 25 June 2015 executed by the Company, Credit Suisse, CLSA and CSI regarding, among other things, CSI's obligations under the Rights Issue and the Underwriting Agreement;
- (e) a management agreement dated 18 December 2015 between the Company and VPHK regarding the sharing of administrative services on a cost basis for a period of three years commencing from 1 January 2016, which agreement is terminable by either party's one month notice;
- (f) a deed of undertaking and indemnity dated 20 April 2016 executed by the Joint Venture Company, the JV Partner and the Company in favour of TW6 Limited regarding, among other things, the application by TW6 Limited to The Director Lands for the grant of consent to enter into agreements for sale and purchase in respect of 983 residential units, 119 car parking spaces and 12 motor cycle parking spaces in the TW6 Project;
- (g) a guarantee and indemnity dated 31 August 2016 executed by the Company in favour of Kowloon-Canton Railway Corporation, West Rail Property Development Limited, TW6 Limited and MTR Corporation Limited in relation to, among other things, the obligations of the Joint Venture Company and the Agent in selling and letting the residential units in the TW6 Project;
- (h) the Facility Letters; and
- (i) the Corporate Guarantees.

8. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for each of the two financial years ended 31 December 2014 and 2015;
- (c) the material contracts referred to in the paragraph under the heading of "Material Contracts" in this appendix; and
- (d) this circular.

9. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Luk Chi Chung, Peter, who is a fellow member of the Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Chartered Secretaries.

- (b) The registered office of the Company is situated at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.
- (c) The principal place of business of the Company is situated at 55th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong.
- (d) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.
- (e) The English texts of this circular shall prevail over the Chinese texts in case of inconsistency.