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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)

MAJOR TRANSACTION

GRANT OF THE JV PARTNER'S DEFAULT CALL RIGHT

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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 fifty per cent. (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;
“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 from time to time;
“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);
“Company’s Default Call Right”	the right to acquire the interest in the Developer held by the JV Partner or its Affiliates, which the Company is entitled to exercise after the JV Partner or its Affiliates (as the case may be) committing an Event of Default;
“Defaulting Party”	the party to the Shareholders’ Agreement who commits an Event of Default;
“Developer”	Ultimate Vantage Limited, a private limited liability company incorporated in Hong Kong whose issued share capital is legally 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 the legal owner of the relevant land lot and its associates;
“Director(s)”	director(s) of the Company;

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“Event of Default”	has the meaning ascribed to it under the section headed “The Shareholders’ Agreement — Default Call Rights”;
“Group”	the Company and its subsidiaries from time to time;
“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 Developer;
“JV Partner’s Default Call Right”	the right to acquire the interest in the Developer held by the Company or its Affiliates, which the JV Partner is entitled to exercise after the Company or its Affiliates (as the case may be) committing an Event of Default;
“Latest Practicable Date”	9 May 2014, 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;
“PRC”	the People’s Republic of China and for the purpose of this circular, exclude Hong Kong, Macau Special Administrative Region and Taiwan;
“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;
“Shareholder(s)”	holders of the Share(s);

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“Shareholders’ Agreement”	the shareholders’ agreement in relation to the Developer dated 22 April 2014 and entered into among the Company, Wkdeveloper, VPHK, the JV Partner, the JV Partner Subsidiary and the Developer;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“TW6 Project”	the West Rail Tsuen Wan West Station TW6 Property Development of a land lot (known as Tsuen Wan Town Lot No. 402), and the business and operations in connection with such project;
“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 Developer;
“Wkland Investments”	Wkland Investments Company Limited, an indirect wholly-owned subsidiary of China Vanke, which is legally holding 194,763,966 Shares, representing 75% of the issued share capital of the Company; and
“%”	per cent.

LETTER FROM THE BOARD



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, 15 May 2014

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

GRANT OF THE JV PARTNER'S DEFAULT CALL RIGHT

We refer to the announcement of the Company dated 22 April 2014 in relation to the grant of the JV Partner's Default Call Right. The purpose of this circular is to provide you with further details of this transaction.

THE SHAREHOLDERS' AGREEMENT

Background

As announced on 16 May 2013, the Company entered into a sale and purchase agreement relating to the acquisition of 20% effective interest in the development of the TW6 Project from VPHK, which acquisition constituted a major and connected transaction to the Company under the Listing Rules. The transaction was approved by the independent shareholders of the Company at an extraordinary general meeting of the Company held on 21 June 2013 and completion of which took place upon fulfilment of all conditions precedent on 14 August 2013 at a final consideration of HK\$727,900,000. Since then, the TW6 Project is beneficially owned 20% by the Company and 80% by the JV Partner.

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General

On 22 April 2014, the Company, Wkdeveloper, VPHK, the JV Partner, the JV Partner Subsidiary and the Developer entered into the Shareholders' Agreement to regulate the relationship of the shareholders of the Developer inter se and the management of the affairs of the Developer. No consideration is received or payable by any party for entering into the Shareholders' Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the JV Partner and the JV Partner Subsidiary are Independent Third Parties. VPHK is the controlling Shareholder, whose role in the Shareholders' Agreement is to act as guarantor (jointly and severally with the Company) of the obligations of Wkdeveloper and VPHK does not receive any benefits from the Company in return. Moreover, VPHK shall cease to be a party to the Shareholders' Agreement so long as the consolidated net asset value of the Company reaches and maintains at HK\$1.5 billion or above. The Directors consider that VPHK does not have any material interest in the Shareholders' Agreement and the transactions contemplated thereunder.

Default Call Rights

Under the Shareholders' Agreement, the Company and the JV Partner agree if an Event of Default (as defined below) occurs, the non-Defaulting Party shall have the right to acquire all the interest in the Developer represented by the Defaulting Party and its Affiliates. Such right is reciprocal, and no consideration is payable by the Company or the JV Partner for the grant by the other party of its respective above-mentioned right.

An "Event of Default" occurs if a party to the Shareholders' Agreement (other than the Developer) commits one of the following:

- (i) it commits a material breach of the Shareholders' Agreement and either: (i) the breach is not capable of being remedied (including but not limited to failure to provide such shareholder's loan as determined by the board of the Developer from time to time, or failure to provide any guarantees, undertakings or other securities to any third party or parties in connection with any credit or banking facilities to the Developer, on a several basis in accordance with its shareholding interest in the Developer) or (ii) the Defaulting Party does not remedy that breach to the reasonable satisfaction of the other parties thereto within thirty (30) days after any other party thereto sending it written notice requiring it to remedy that breach;
- (ii) it or any of its Affiliate (excluding the Developer) commits any acts or omissions which directly leads to, a material breach by the Developer of the development documentation in relation to TW6 Project and the counterparty thereto is entitled to exercise, and has exercised, its rights against the Developer under such documentation by reason of such material breach by the Developer;

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- (iii) it is unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or takes any step with a view to a general or partial reconstruction, readjustment or rescheduling of any material part of its debts or proposes or enters into any composition or other arrangement for the benefit of its creditors generally or any class of its creditors;
- (iv) any corporate action, legal proceedings or other procedure or step is taken (or any analogous procedure or step is taken in any jurisdiction) that shall remain unvacated and unstayed for a period of ninety (90) days in relation to:
 - (a) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganization (by way of voluntary arrangement, scheme of arrangement or otherwise);
 - (b) a composition, assignment or arrangement with any creditor;
 - (c) the appointment of a liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer in respect of any of its assets; or
 - (d) enforcement of any security over any of its material assets;
- (v) any person attaches, arrests or seizes, or distress, execution, sequestration or other similar process is levied or enforced upon or sued out against, the whole or any material part of the assets, undertakings, rights or revenues of such Defaulting Party; or
- (vi) there is a “Change in Control” of the Defaulting Party within the meaning set out below:
 - (i) in the case of the JV Partner Subsidiary, it is no longer wholly and beneficially owned by the JV Partner or its Affiliates;
 - (ii) in the case of Wkdeveloper, it is no longer wholly and beneficially owned by the Company or its Affiliates; or
 - (iii) in the case of the Company or the JV Partner (as the case may be), not less than 30% (or such other amount as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers as being the level for triggering a mandatory general offer) of its issued share capital has been acquired by a person other than its existing controlling shareholder as at the date hereof.

Consideration

The consideration to acquire the Defaulting Party’s interest in the Developer shall be determined after arm’s length negotiation between the parties, but which shall be equivalent to 70% of the fair market value of such interest in the Developer. If the parties fail to reach an

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agreement on such fair market value within ten (10) Business Days after a transfer notice has been delivered, then such fair market value shall be determined by an independent expert. Such consideration shall be settled in cash upon completion of such transfer.

In the event that the Company, Wkdeveloper or VPHK (provided that VPHK is still a party thereto) defaults, the JV Partner will be entitled to exercise the JV Partner's Default Call Right at its sole discretion and, upon exercise of the JV Partner's Default Call Right, Wkdeveloper will be forced to dispose of its 20% effective interest in the Developer. The Company will no longer have any interest in the Developer and the Developer will cease to be an associate of the Company from an accounting perspective.

The transfer of shares upon exercise of the relevant default call right will be subject to the terms of the relevant development documentation of the TW6 Project.

The actual impact on the total assets, the total liabilities and the total earnings of the Group upon the disposal of the Company's 20% effective interest in the Developer, will depend on when the JV Partner's Default Call Right is exercised, the total amount of capital contributed by the Company into the TW6 Project, and the fair market value of the TW6 Project at that time. It is expected that a loss will be incurred by the Company, but the estimated deficit under the book value of the 20% effective interest in the TW6 Project cannot be determined at this stage. In such unlikely event, the proceeds received from disposal of the 20% effective interest in the TW6 Project are expected to be partly utilised for repayment of bank borrowings and partly for general working capital of the Group.

INFORMATION OF THE GROUP, THE DEVELOPER, 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 Developer, which is an associated company engaged in the development of the TW6 Project.

The JV Partner Group is principally engaged in property, infrastructure, hotel operation, department store operation, services, as well as telecommunications 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) 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.

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According to the audited financial statements of the Developer for the period commencing from the date of its incorporation and ended 30 June 2013, the total assets of the Developer were approximately HK\$3,586 million, its total liabilities, including shareholders' loans due to the JV Partner Subsidiary, Wkdeveloper and their Affiliates, were approximately HK\$3,586 million as at 30 June 2013.

Set out below is financial information of the Developer based on its audited financial statements for the period commencing from the date of its incorporation and ended 30 June 2013:

For the period commencing from the date of its incorporation and ended 30 June 2013	Developer (incorporated on 9 November 2012) HK\$
Loss before taxation	43,450
Loss after taxation	43,450

REASONS FOR AND BENEFITS OF THE GRANT OF THE JV PARTNER'S DEFAULT CALL RIGHT

The grant of the default call right is a reciprocal arrangement, under which the Company could exercise its Company's Default Call Right if the JV Partner or its Affiliates commits an Event of Default or the JV Partner could exercise its JV Partner's Default Call Right if the Company or its Affiliates commits an Event of Default. It is a common arrangement in this kind of joint venture transaction, and is intended to protect the rights and interests of each party by providing a method to buy out the Defaulting Party in case the latter has committed some acts which could materially and adversely affect the operations of the Developer.

Based on the factors mentioned above, the Board is of the view that the terms of the JV Partner's Default Call Right are fair and reasonable and are on normal commercial terms and are in the interest of the Company and the Shareholders as a whole. None of the Directors has a material interest in such transaction, and therefore no Directors were required to abstain from approving the grant of JV Partner's Default Call Right.

LISTING RULES IMPLICATIONS

In the event that the Company, Wkdeveloper or VPHK (provided that VPHK is still a party thereto) defaults, as the discretion to acquire the interest in the Developer belongs solely to the JV Partner, the JV Partner's Default Call Right is classified as if it had been fully exercised at the time of the grant (i.e. upon entering into the Shareholders' Agreement) under Rule 14.74(1). Although the actual exercise price is not determinable at the time of grant, pursuant to Rule 14.76(1) of the Listing Rules, the JV Partner's Default Call Right (grant and exercise) is being treated as a major transaction (disposal) of the Company subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

In the event that the JV Partner or the JV Partner Subsidiary defaults, as the discretion to acquire the interest in the Developer belongs solely to the Company and no consideration is paid for the grant thereof, the grant of the Company's Default Call Right is not regarded as a "notifiable transaction" under Rule 14.75(1). However, exercise of the Company's Default Call Right could be subject to the relevant provisions of Chapter 14 of the Listing Rules at that time, based upon relevant percentage ratios determined at that time.

Under Rule 14.44 of the Listing Rules, Shareholders' approval for the grant of the JV Partner's Default Call Right may be obtained by way of written Shareholders' approval in lieu of holding a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting to obtain such Shareholders' approval; and (b) the written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% in nominal value of the issued share capital of the Company giving the right to attend and vote at that general meeting to approve such transaction.

The Directors confirm that, to the best of their knowledge, information and belief after having made all reasonable enquiries, (i) the JV Partner and its Affiliates are Independent Third Parties, (ii) no Shareholder has a material interest in the Shareholders' Agreement, and (iii) no Shareholder would be required to abstain from voting were the Company to convene a general meeting for the approval of the grant of the JV Partner's Default Call Right. On 22 April 2014, Wkland Investments, the controlling Shareholder which holds 194,763,966 Shares representing 75% of the issued share capital of the Company as at the Latest Practicable Date, has given a written certificate to the Company to approve the grant of the JV Partner's Default Call Right and other transactions contemplated under the Shareholders' Agreement, and confirms that neither it nor its associates have any material interest in any of the above transactions.

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 this 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.

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 March 2014, 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 (excluding other borrowing costs capitalised) of HK\$521,500,000 and an interest-bearing advance from VPHK of HK\$150,000,000. The bank borrowings are secured by the Group's investment properties and repayable in full by December 2015. The advance from VPHK is unsecured and repayable within three Business Days from the date on which not less than HK\$150,000,000 in aggregate of the shareholder's loan advanced from Wkdeveloper to the Developer having been repaid to and actually received by Wkdeveloper.

The Group had no significant contingent liabilities as at 31 March 2014. The Company was contingently liable for a guarantee of HK\$591,500,000 executed in favor of a bank for banking facilities granted to a wholly-owned subsidiary of the Company as at 31 March 2014.

General

Save as aforesaid or as otherwise disclosed herein and apart from intra-group liabilities, at the close of business on 31 March 2014, 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 31 March 2014 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 the carpark podium in Regent Centre, Kwai Chung, New Territories, Hong Kong and property development activity through holding of 20% effective interest in the TW6 Project. Depending on financial resources available, the Group will continue to consider further property development and investment opportunities but will only do so in a financially prudent manner.

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 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 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:

(i) *Interests in the Company*

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

Notes:

- The total number of ordinary shares of the Company in issue as at the Latest Practicable Date was 259,685,288.
- All the above interests represent long position.

(ii) *Interests in an associated corporation, China Vanke*

Name of Director	Types of shares	Interests held as beneficial owner	Number of ordinary shares held			Number of underlying shares held under equity derivatives (Note 1)	Total	Percentage of issued share capital (Note 2)
			Interests held by spouse	Interests held by controlled corporations	Other interests			
Zhang Xu	A shares	679,039	—	—	—	450,000	1,129,039	0.01%
Que Dong Wu	A shares	1,275,700	—	—	—	450,000	1,725,700	0.02%
Wang Wen Jin	A shares	2,223,591	—	—	—	1,320,000	3,543,591	0.04%
Chan Chi Yu	A shares	300,000	—	—	—	—	300,000	0.003%
	B shares	—	—	500,203	—	—	500,203	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 9,700,013,451, 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 <i>RMB</i>	Number of entitled shares as at the Latest Practicable Date
Zhang Xu	1 May 2013 to 24 April 2015	8.48	225,000
	1 May 2014 to 24 April 2016	8.48	<u>225,000</u>
			<u>450,000</u>
Que Dong Wu	1 May 2013 to 24 April 2015	8.48	225,000
	1 May 2014 to 24 April 2016	8.48	<u>225,000</u>
			<u>450,000</u>
Wang Wen Jin	1 May 2013 to 24 April 2015	8.48	660,000
	1 May 2014 to 24 April 2016	8.48	<u>660,000</u>
			<u>1,320,000</u>

Save as disclosed above, as at the Latest Practicable Date, none of the Directors were 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 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, 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:

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	194,763,966	75.00%
CITIC Securities Company Limited (<i>Note 2</i>)	Long position	Held by controlled corporations	23,427,000	9.02%

Notes:

- 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 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 23,427,000 Shares are held by CSI Capital Management Limited, 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 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	<i>Executive Vice President and Chief Operating Officer</i>
Que Dong Wu	<i>Managing director of the Hong Kong Division</i>
Wang Wen Jin	<i>Executive director, Executive Vice President and Chief Financial Officer</i>
Chan Chi Yu	<i>Consultant</i>

China Vanke Group (excluding the Group) are principally engaged in property development and investment in the PRC. Mr. Chan Chi Yu does not participate in the day-to-day business operations of China Vanke and the Group. Mr. Wang Wen Jin does not participate in the day-to-day business operations 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.

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

VPHK as an intermediate holding company of the Company provides administrative support to the Group on a cost basis. The amount of fees paid and payable by the Group for such services amounted to HK\$4,390,000 for the year ended 31 December 2013.

On 16 May 2013, the Group entered into an agreement relating to the acquisition of 20% interest in TW6 Project from VPHK. The transaction constituted a major and connected transaction to the Company under the Listing Rules and was approved by the independent shareholders of the Company at an extraordinary general meeting of the Company held on 21 June 2013. Completion of the transaction took place on 14 August 2013 at a final consideration of HK\$727,900,000.

Each of Mr. Zhang Xu, Ms. Que Dong Wu and Mr. Wang Wen Jin is an executive of and is beneficially interested in the issued shares of China Vanke. Mr. Chan Chi Yu is a consultant of and is beneficially interested in the issued shares of China Vanke. The Company is an indirect 75% owned subsidiary of VPHK, which in turn is an indirect wholly-owned subsidiary 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 2013, 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) 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 (a wholly-owned subsidiary of the Company), regarding the provision of management and administrative services by the subsidiaries of Cherrytime Investments Limited to the Group (the “**Management Agreement I**”), which agreement is terminable by either party’s one month notice;
- (c) the sale and purchase agreement dated 16 May 2013 entered into between Mainland Investments Group Limited (a wholly-owned subsidiary of the Company) as purchaser and VPHK as vendor, regarding the transfer of 20% effective interest in the Developer to the Group at a final consideration of HK\$727,900,000 (after adjustment);

- (d) a management agreement dated 19 July 2013 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 2013, which agreement is terminable by either party's one month notice;
- (e) a supplemental deed to the development agreement dated 14 August 2013 entered into between the Company, Wkdeveloper, Mainland Investments Group Limited, the Developer, the JV Partner, VPHK and Tsuen Wan West TW6 Property Development Limited ("**TW6 Limited**"), regarding new contractual arrangements for the TW6 Project after the transfer of 20% effective interest in the Developer to the Group;
- (f) a deed of guarantee and indemnity dated 14 August 2013 executed by the Company in favour of TW6 Limited, regarding the Company's obligations under the TW6 Project;
- (g) a deed of guarantee and indemnity dated 14 August 2013 executed by the Developer, the JV Partner and the Company in favour of MTR Corporation Limited ("**MTRCL**"), regarding, among other things, the Company's obligations under the TW6 Project;
- (h) a deed of undertaking dated 14 August 2013 executed by the Developer, the JV Partner and the Company in favour of MTRCL, regarding, among other things, the Company's obligations under the TW6 Project;
- (i) a deed of undertaking dated 14 August 2013 executed by the Developer, the JV Partner and the Company in favour of Kowloon-Canton Railway Corporation, regarding, among other things, the Company's obligations under the TW6 Project;
- (j) a deed of undertaking dated 14 August 2013 executed by the Developer, the JV Partner and the Company in favour of West Rail Property Development Limited, regarding, among other things, the Company's obligations under the TW6 Project;
- (k) a termination agreement dated 1 November 2013 between Cherrytime Investments Limited and Future Best Developments Limited, regarding the termination of the Management Agreement I;
- (l) a new management agreement dated 1 November 2013 entered into between Access Rich Limited, Chericourt Company Limited, WK Parking Limited, WK Property Financial Limited (all of which being wholly-owned subsidiaries of the Company), Wing Tai Properties Estate Management Limited and Wing Tai Properties Estate Agents Limited, regarding the provision of assets management, leasing and carpark management services to the Group, which agreement is terminable by any party's three months notice; and
- (m) the Shareholders' Agreement.

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 the two financial years ended 31 December 2012 and 2013;
- (c) the material contracts referred to in the section headed “Material Contracts” in this Appendix;
- (d) the circular of the Company dated 4 June 2013 regarding the acquisition of 20% interest in the TW6 Project; and
- (e) 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, Uglan 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 text of this circular shall prevail over their respective Chinese text in case of inconsistency.