

# vanke

**Vanke Overseas Investment Holding Company Limited**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01036)

# 2020 Interim Report

For the six months ended 30 June 2020

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

ZHANG Xu (*Chairman*)

QUE Dongwu (*Chief Executive Officer*)

LEE Kai-Yan

LIN Lily

(resigned with effect from 21 August 2020)

### Non-Executive Director

CHAN Chi Yu

### Independent Non-Executive Directors

CHAN Wai Hei, William

LAW Chi Yin, Cynthia

ZHANG Anzhi

## AUDIT COMMITTEE

CHAN Wai Hei, William (*Chairman*)

CHAN Chi Yu

LAW Chi Yin, Cynthia

## REMUNERATION COMMITTEE

ZHANG Anzhi (*Chairman*)

QUE Dongwu

CHAN Wai Hei, William

## NOMINATION COMMITTEE

LAW Chi Yin, Cynthia (*Chairman*)

ZHANG Xu

ZHANG Anzhi

## COMPANY SECRETARY

YIP Hoi Man

## AUDITOR

KPMG

(Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance)

## LEGAL ADVISORS TO THE COMPANY

Reed Smith Richards Butler (*as to Hong Kong law*)

Maples and Calder (Hong Kong) LLP

(*as to Cayman Islands law*)

## PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

## REGISTERED OFFICE

P.O. Box 309, Umland House

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Cayman Islands

## PRINCIPAL PLACE OF BUSINESS

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## WEBSITE

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## HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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183 Queen's Road East

Wan Chai

Hong Kong

# Management Discussion and Analysis

## BUSINESS REVIEW

During the six months ended 30 June 2020 (the “Period”), the Group’s revenue is mainly derived from (i) the leasing of units and car parking spaces in Regent Centre, Hong Kong (“Regent Centre”); (ii) the leasing of Ryder Court in London, the United Kingdom (“Ryder Court”); (iii) interest from investment instruments (“Investment Instruments”) for funding the development of the Park Row property in New York, the United States of America (the “US”); and (iv) provision of asset management services. Revenue for the Period was approximately HK\$233.2 million (six months ended 30 June 2019: HK\$51.1 million), representing an increase of 356%. The increase was mainly due to (i) the interest income on the Investment Instruments acquired by the Group in June 2019; (ii) the revenue generated from Ryder Court acquired by the Group in June 2019; and (iii) the revenue generated from the asset management services which the Group began providing in June 2019.

The Group’s investment in Regent Centre was at a fair value at approximately HK\$2,004.5 million as at 30 June 2020 (31 December 2019: HK\$2,004.5 million). The Group’s investment in Ryder Court was at a fair value at approximately HK\$1,045.7 million as at 30 June 2020 (31 December 2019: HK\$1,149.5 million). There has been no change in the valuation methodology of the Group’s investment properties. After netting off the exchange adjustments of investment properties of approximately HK\$76.1 million, the fair value loss amounted to approximately HK\$27.7 million for the Period (six months ended 30 June 2019: fair value gain of HK\$32.6 million).

Excluding the change in fair value of investment properties and share of results of associates of the Group, the Group’s underlying profit for the Period was approximately HK\$99.0 million (six months ended 30 June 2019: HK\$30.7 million), representing an increase of approximately 222%. The increase was mainly due to (i) the interest income on the Investment Instruments acquired by the Group in June 2019; (ii) the net profit generated from Ryder Court acquired by the Group in June 2019; and (iii) the net profit generated from the asset management services which the Group began providing in June 2019.

## Property Investment

The Group’s investment properties comprise (i) various portions of Regent Centre, which is located at 63 Wo Yi Hop Road and 70 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong; and (ii) Ryder Court, which is located at 13–17 Bury Street and 12, 14 and 16 Ryder Street, St James’s, London, SW1, the United Kingdom.

The Group owns a total gross floor area of approximately 657,000 square feet in Regent Centre and approximately 76,000 square feet in Ryder Court, representing 64% and 100% of the total gross floor area, respectively.

During the Period, the Group renewed the leases of Regent Centre at a stable rental reversion. Occupancy of Regent Centre remained at 97% as at 30 June 2020 (30 June 2019: 98%) with passing rent at HK\$10.0 per square foot as at 30 June 2020 (30 June 2019: HK\$9.9 per square foot). Apart from monthly rent, the tenants are responsible for payment of property management fee to the landlord, whose income has been accounted for as part of the revenue of the Group. Total revenue from the leasing of units and car parking spaces in Regent Centre was approximately HK\$51.4 million (six months ended 30 June 2019: HK\$51.1 million).

As at 30 June 2020, the occupancy rate of the Ryder Court was 99%. Total revenue from the leasing of Ryder Court during the Period was approximately HK\$24.8 million (six months ended 30 June 2019: nil).

Segment profit after deducting property management fees, carpark management expenses, leasing commission and other operating expenses but before change in fair value of investment properties of the Group amounted to approximately HK\$63.8 million for the Period (six months ended 30 June 2019: HK\$40.0 million), representing an increase of 60%. The increase was mainly due to the profit before change in fair value of investment properties generated from Ryder Court acquired by the Group in June 2019.

# Management Discussion and Analysis *(continued)*

## BUSINESS REVIEW *(continued)*

### Property development

The Group's property development projects comprise (i) investment in the development of the West Rail Tsuen Wan West Station TW6 property development project (the "TW6 Project" and also known as "The Pavilia Bay"); (ii) investment in 657 and 663–667 Mission Street, San Francisco, California, the US ("Mission Street Property"); (iii) participation in the Investment Instruments; and (iv) the development of the property comprising pieces or parcels of ground located at 62, 64, 66 and 68 Chun Yeung Street, Hong Kong (the "Chun Yeung Street Property").

One of the Group's property development projects is represented by investment in Ultimate Vantage Limited ("Ultimate Vantage"), a 20% associate of the Group. Ultimate Vantage is a special purpose vehicle established in January 2013 for the development of the TW6 Project. Up to the date hereof, over 99% of the units have been sold at gross proceeds of HK\$10.1 billion and substantially all sold units of The Pavilia Bay have been handed over to the buyers.

Gold Value Limited ("Gold Value"), a 20% associate of the Group, was formed by the Group and the joint venture partner in Ultimate Vantage (the "TW6 Partner") in November 2016 for the purpose of providing first and second mortgage financing to the buyers of the TW6 Project on market terms (the "Provision of Mortgages"). Finance for the business of Gold Value is provided by the Group and the TW6 Partner by way of interest-bearing shareholder's loans on a several basis and in proportion to each of the parties' shareholding interest in Gold Value.

The Group's total investment in Ultimate Vantage and Gold Value (collectively, the "TW6 Associates"), comprising the share of net assets of the Group in the TW6 Associates as well as amounts due from the TW6 Associates, amounted to approximately HK\$275.2 million as at 30 June 2020 (31 December 2019: HK\$305.5 million). The decrease in total investment of the Group during the Period was mainly due to the partial repayment of the amount due from Gold Value Limited of approximately HK\$29.2 million (out of the repayment of mortgages by the buyers of The Pavilia Bay to Gold Value).

The Group's share of loss of TW6 Associates amounted to approximately HK\$1.1 million for the Period (six months ended 30 June 2019: share of profit of HK\$14.5 million). The decrease in share of profit was mainly due to (i) nil unit was handed over to the buyer during the Period as most of the units were sold and handed over to the buyers in the prior years; and (ii) the share of operating loss of TW6 Associates during the Period.

Another of the Group's property investment is represented by investment in 657–667 Mission Street Venture LLC, a 45% associate of the Group, and its subsidiaries (collectively, the "Mission Street Group"). The Mission Street Group owns the Mission Street Property with a total gross floor area of approximately 155,000 square feet.

During the Period, Mission continued to be under renovation and the Group had shared a loss of approximately HK\$15.4 million (six months ended 30 June 2019: nil) from Mission Street Group. The share of loss was mainly due to the share of operating loss of Mission during the Period. Mission is expected to begin generating revenue for the Mission Street Group in 2021.

The Group's another property development project is represented by the participation in 49% effective interest in the Investment Instruments for funding the development of the property located at 25 Park Row, New York, the US ("Park Row") held by Supreme J Limited, an indirect wholly-owned subsidiary of the Company. During the Period, the revenue generated from the Investment Instruments amounted to approximately HK\$42.6 million (six months ended 30 June 2019: nil).

# Management Discussion and Analysis *(continued)*

## BUSINESS REVIEW *(continued)*

### Property development *(continued)*

The Group owns approximately 99.89% effective interest in the Chun Yeung Street Property. The Chun Yeung Street Property is being redeveloped into a hospitality-related property and has not begun generating revenue for the Group during the Period. The development is expected to be completed in 2022.

Segment profit increased to approximately HK\$28.8 million for the Period (six months ended 30 June 2019: HK\$18.0 million), mainly due to interest income on the Investment Instruments which the Group acquired in June 2019.

### Asset management

From the second half of 2019 onwards, the Group began providing asset management services to Vanke Property (Hong Kong) Company Limited (“VPHK”), an intermediate holding company of the Company, and certain of its subsidiaries (including other subsidiaries of China Vanke Co., Ltd (“China Vanke”) (the “VPHK Parties”) with respect to VPHK Parties’ projects in Hong Kong, the United Kingdom and the US. In return, the asset management service fees calculated at 1.25% per annum of the total capital of the relevant projects invested by VPHK Parties was charged by the Group. During the Period, the Group’s revenue from the provision of asset management services amounted to approximately HK\$114.4 million (six months ended 30 June 2019: nil).

Segment profit from the provision of asset management services amounted to approximately HK\$38.5 million for the Period (six months ended 30 June 2019: nil).

### Head office and corporate expenses

Head office and corporate expenses, net of unallocated income, were approximately HK\$7.3 million during the Period (six months ended 30 June 2019: HK\$17.9 million). The decrease was mainly due to the legal and professional fees arising from acquisitions of subsidiaries during the six months ended 30 June 2019 while there was no such fees incurred during the Period.

### Finance income

Finance income for the Period amounted to approximately HK\$5.5 million (six months ended 30 June 2019: HK\$14.7 million), comprising interest income on bank deposits and bank balances of approximately HK\$2.7 million for the Period (six months ended 30 June 2019: HK\$11.1 million) and interest income on shareholders’ loans due from Gold Value amounted to approximately HK\$2.8 million for the Period (six months ended 30 June 2019: HK\$3.6 million). The decrease in finance income is due to the decrease in bank interest rates, the average bank balances and average shareholders’ loans due from Gold Value during the Period.

### Events after the Reporting Period

There have been no matters that have occurred subsequent to the reporting date which have significantly affected, or may significantly affect the Group’s operations, results or state of affairs.

# Management Discussion and Analysis *(continued)*

## FINANCIAL REVIEW

### Liquidity, financial resources, gearing and capital structure

Equity attributable to shareholders of the Company amounted to approximately HK\$3,785.9 million as at 30 June 2020 (31 December 2019: HK\$3,764.3 million). The increase was mainly due to the equity attributable to the shareholders of the Company for the Period of approximately HK\$56.7 million less a payment of 2019 final dividend of approximately HK\$35.1 million.

The Group's interest-bearing bank and other borrowings of approximately HK\$1,186.6 million (31 December 2019: 1,258.0 million) as at 30 June 2020 were mainly denominated in pound sterling. The bank loans of approximately HK\$1,116.3 million (31 December 2019: a bank loan of HK\$771.9 million and the loan from an intermediate holding company of HK\$424.6 million) were arranged on a floating rate basis, while the lease liabilities of approximately HK\$70.3 million (31 December 2019: HK\$61.5 million) were arranged on a fixed rate basis. The decrease was due to net repayment of bank and other borrowings, and the depreciation of pound sterling against Hong Kong dollar during the Period.

The Group has two banking facilities amounting to HK\$1,000.0 million (31 December 2019: nil) (the "HK Loan Facility") and GBP75.0 million (equivalent to approximately HK\$725.5 million) (31 December 2019: GBP75.0 million (equivalent to approximately HK\$776.8 million)) in which GBP42.0 million (equivalent to approximately HK\$406.3 million) (31 December 2019: nil) and GBP73.8 million (equivalent to approximately HK\$713.7 million) (31 December 2019: GBP74.8 million (equivalent to approximately HK\$774.6 million)) have been utilised as at 30 June 2020. After deducting other borrowing costs capitalised of approximately HK\$1.9 million (31 December 2019: nil) and HK\$1.8 million (31 December 2019: HK\$2.6 million), the total outstanding bank loan was approximately HK\$404.4 million and HK\$711.9 million, respectively. As at 30 June 2020, the maturity profile of outstanding bank loan was as follows:

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Within 1 year or on demand	9,673	10,357
After 1 year but within 2 years	702,212	10,357
After 2 years but within 5 years	404,372	751,223
	<b>1,116,257</b>	771,937

As at 30 June 2020, the debt-to-equity ratio of the Company, which is calculated as interest-bearing bank and other borrowings divided by total equity of the Group, was 31.3% (31 December 2019: 33.4%). The ratio of net debts (interest-bearing bank and other borrowings net of bank balances and cash) divided by total equity was 17.4% (31 December 2019: 21.4%).

The Group's bank balances and cash amounted to approximately HK\$526.8 million as at 30 June 2020 (31 December 2019: HK\$450.9 million). One of the Group's properties, Chun Yeung Street Property, which is free from encumbrances for the time being, can be leveraged to raise funds and bring in additional cash resources to the Group as and when required. Taking these into account, it is expected that the Group should have sufficient working capital for its current requirements.

# Management Discussion and Analysis *(continued)*

## FINANCIAL REVIEW *(continued)*

### Risk of fluctuations in exchange rates

As the Group operates in Hong Kong, the US and the United Kingdom, all its assets and liabilities are denominated in Hong Kong dollar, the US dollar and pound sterling. The Group will monitor the foreign exchange exposures and take appropriate measures from time to time in order to minimise the Group's foreign exchange exposures. The Group holds a natural hedge on its foreign exchange exposure in pound sterling by way of a bank loan denominated in pound sterling to cover its equity investment in Ryder Court.

### Capital commitments

The Group had a commitment of approximately HK\$46.1 million as at 30 June 2020 (31 December 2019: HK\$24.7 million) in respect of capital expenditure to be incurred in the development of the Chun Yeung Street Property.

### Contingent liabilities and financial guarantees

The Group had no outstanding contingent liabilities and financial guarantees as at 30 June 2020 (31 December 2019: nil).

### Pledge of assets

The Group's investment properties with a carry value of approximately HK\$1,045.7 million at 30 June 2020 (31 December 2019: HK\$1,149.5 million) were pledged to secure banking facilities of the Group.

### Significant investments held, material acquisitions and disposals of subsidiaries and associates

Save for those disclosed in this interim report, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries and associates during the Period. There was no plan authorised by the Directors for material investments or additions of capital assets at the date of this interim report.

## EMPLOYEES AND REMUNERATION POLICY

The Group had 93 employees as at 30 June 2020 (31 December 2019: 91). As a result of the increase in the number of employees, there was an increase in staff costs (including emoluments of directors of the Company (the "Directors")) to approximately HK\$62.1 million (six months ended 30 June 2019: HK\$4.3 million) during the Period. As at 30 June 2019 and 1 November 2019, 28 and 54 employees were transferred to the Group, respectively, and the Group has not incurred staff costs for these employees during the six months ended 30 June 2019.

VPHK provides administrative and management support to the Group on a cost basis. Total fee payable to VPHK amounted to approximately HK\$5.3 million during the Period (six months ended 30 June 2019: HK\$1.0 million), with the increase mainly attributable to the increase in the average number of employees in Hong Kong office to 65 (six months ended 30 June 2019: 5) during the Period.

The Executive Directors periodically review the adequacy of the staffing of the Group by reference to the Group's business requirements. Should there be employees recruited under the Group, their remuneration and benefit packages will be structured on market terms with regard to individual responsibility and performance. All eligible employees in Hong Kong are enrolled to a defined mandatory provident fund scheme. Other employment benefits are awarded at the discretion of the Group.

## DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (six months ended 30 June 2019: nil).

# Management Discussion and Analysis *(continued)*

## OUTLOOK

Year 2020 has been and is expected to be filled with uncertainties, as a result of the outbreak and rapid spreading of coronavirus disease 2019 (COVID-19) which created unprecedented risks to the global economy, together with the presidential election of the US, the phase-two trade deal between the US and China, trade tensions and social unrest in different countries, and the negotiations following the Brexit event. Above all, while the various countries and the global population are confronting the COVID-19 epidemic, it still remains uncertain how it will impact the global economy in the near future. All of these uncertainties have brought and is expected to bring certain level of impact on the markets which the Group operates in.

The Group is financially healthy and with appropriate cost management, the Group is prepared for any economic impact that may arise from the aforesaid uncertainties. Besides, the Group believes uncertainties create opportunities — the Group will continue to look for new investment opportunities, including those in other real estate markets across the world as to diversify its business, which have good development and investment potential with the objective of being open-minded about new opportunities for growth and expansion of the Group's business and value creation for the Shareholders as a whole.

The Group's investment properties in Hong Kong and London, namely Regent Centre and Ryder Court, are expected to maintain the occupancy rates and passing rents in the second half of 2020. In addition, the Group's investment instruments and asset management business are expected to generate stable revenue and profits in the second half of 2020. The Group has confidence in overcoming the challenges arising from the latest epidemic.



# Report on Review of Interim Financial Information



## Review report to the Board of Directors of Vanke Overseas Investment Holding Company Limited

*(Incorporated in the Cayman Islands with limited liability)*

### INTRODUCTION

We have reviewed the interim financial information set out on pages 9 to 25 which comprises the consolidated statement of financial position of Vanke Overseas Investment Holding Company Limited and its subsidiaries (the "Group") as of 30 June 2020 and the related consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial information to be in compliance with the relevant provisions thereof, and to be in compliance with either International Accounting Standard 34 ("IAS 34"), *Interim financial reporting*, issued by the International Accounting Standards Board or Hong Kong Accounting Standard 34 ("HKAS 34"), *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants, depending on whether the issuer's annual financial statements are prepared in accordance with International Financial Reporting Standards ("IFRSs") or Hong Kong Financial Reporting Standards ("HKFRSs") respectively. As the annual financial statements of the Group are prepared in accordance with both IFRSs and HKFRSs, the directors are responsible for the preparation and presentation of the interim financial information in accordance with both IAS 34 and HKAS 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial information and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information as at 30 June 2020 is not prepared, in all material respects, in accordance with IAS 34 and HKAS 34.

### KPMG

*Certified Public Accountants*

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

21 August 2020

# Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020 – unaudited

	Note	For the six months ended	
		30 June 2020 HK\$'000	30 June 2019 HK\$'000
<b>Revenue</b>	3	<b>233,191</b>	51,136
Cost of services		<b>(86,949)</b>	(10,514)
<b>Gross profit</b>		<b>146,242</b>	40,622
Other income	4	<b>116</b>	355
Administrative and other operating expenses		<b>(8,839)</b>	(18,836)
(Decrease)/increase in fair value of investment properties		<b>(27,686)</b>	32,564
<b>Operating profit</b>		<b>109,833</b>	54,705
Finance income	5(a)	<b>5,522</b>	14,666
Finance costs	5(b)	<b>(21,587)</b>	–
Share of results of associates		<b>(16,488)</b>	14,451
<b>Profit before taxation</b>	5	<b>77,280</b>	83,822
Income tax	6	<b>(22,440)</b>	(6,060)
<b>Profit for the period</b>		<b>54,840</b>	77,762
<b>Attributable to:</b>			
Shareholders of the Company		<b>54,850</b>	77,762
Non-controlling interests		<b>(10)</b>	–
<b>Profit for the period</b>		<b>54,840</b>	77,762
		<b>HK\$</b>	HK\$
<b>Earnings per share – basic and diluted</b>	7	<b>0.14</b>	0.20

The notes on pages 15 to 25 form part of this interim financial information. Details of dividends paid and payable to shareholders of the Company are set out in note 8.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020 – unaudited

	For the six months ended	
	30 June 2020 HK\$'000	30 June 2019 HK\$'000
<b>Profit for the period</b>	<b>54,840</b>	77,762
<b>Other comprehensive income for the period:</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of the financial statements of overseas subsidiaries	<b>1,812</b>	–
<b>Total comprehensive income for the period</b>	<b>56,652</b>	77,762
<b>Attributable to:</b>		
Shareholders of the Company	<b>56,662</b>	77,762
Non-controlling interests	<b>(10)</b>	–
<b>Total comprehensive income for the period</b>	<b>56,652</b>	77,762

The notes on pages 15 to 25 form part of this interim financial information.

# Consolidated Statement of Financial Position

At 30 June 2020

	Note	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
<b>Non-current assets</b>			
Investment properties	9	3,050,170	3,153,973
Property, plant and equipment		622,640	604,753
Interests in associates	10	424,413	453,786
Other non-current assets	11	42,411	49,724
		<b>4,139,634</b>	4,262,236
<b>Current assets</b>			
Trade and other receivables	11	85,886	82,827
Investment instruments		551,458	525,131
Tax recoverable		454	1,895
Bank balances and cash		526,769	450,893
		<b>1,164,567</b>	1,060,746
<b>Current liabilities</b>			
Other payables and accruals	12	(256,798)	(234,053)
Loan from an intermediate holding company	13	–	(424,600)
Bank loans	14	(9,673)	(10,357)
Lease liabilities		(10,970)	(2,583)
Tax payable		(29,977)	(22,915)
		<b>(307,418)</b>	(694,508)
<b>Net current assets</b>		<b>857,149</b>	366,238
<b>Total assets less current liabilities</b>		<b>4,996,783</b>	4,628,474
<b>Non-current liabilities</b>			
Bank loans	14	(1,106,584)	(761,580)
Lease liabilities		(59,378)	(58,879)
Deferred tax liabilities		(44,693)	(43,481)
		<b>(1,210,655)</b>	(863,940)
<b>NET ASSETS</b>		<b>3,786,128</b>	3,764,534

# Consolidated Statement of Financial Position *(continued)*

At 30 June 2020

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>3,895</b>	3,895
Reserves	<b>3,781,976</b>	3,760,372
<b>Total equity attributable to shareholders of the Company</b>	<b>3,785,871</b>	3,764,267
<b>Non-controlling interests</b>	<b>257</b>	267
<b>TOTAL EQUITY</b>	<b>3,786,128</b>	3,764,534

The notes on pages 15 to 25 form part of this interim financial information.

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020 — unaudited

	Attributable to shareholders of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Exchange reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 January 2020</b>	<b>3,895</b>	<b>1,030,877</b>	<b>(805)</b>	<b>2,730,300</b>	<b>3,764,267</b>	<b>267</b>	<b>3,764,534</b>
<b>Changes in equity for the six months ended 30 June 2020:</b>							
Profit for the period	–	–	–	54,850	54,850	(10)	54,840
Exchange differences arising on translation of foreign operations	–	–	1,812	–	1,812	–	1,812
Total comprehensive income	–	–	1,812	54,850	56,662	(10)	56,652
Final dividend approved in respect of the previous year (note 8(b))	–	–	–	(35,058)	(35,058)	–	(35,058)
<b>At 30 June 2020</b>	<b>3,895</b>	<b>1,030,877</b>	<b>1,007</b>	<b>2,750,092</b>	<b>3,785,871</b>	<b>257</b>	<b>3,786,128</b>
<b>At 1 January 2019</b>	<b>3,895</b>	<b>1,030,877</b>	<b>–</b>	<b>2,631,995</b>	<b>3,666,767</b>	<b>–</b>	<b>3,666,767</b>
<b>Changes in equity for the six months ended 30 June 2019:</b>							
Profit and total comprehensive income for the period	–	–	–	77,762	77,762	–	77,762
Final dividend approved in respect of the previous year (note 8(b))	–	–	–	(35,058)	(35,058)	–	(35,058)
Acquisition of subsidiaries	–	–	–	–	–	203	203
Capital contribution from non-controlling interests	–	–	–	–	–	8	8
<b>At 30 June 2019</b>	<b>3,895</b>	<b>1,030,877</b>	<b>–</b>	<b>2,674,699</b>	<b>3,709,471</b>	<b>211</b>	<b>3,709,682</b>

The notes on pages 15 to 25 form part of this interim financial information.

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2020 — unaudited

	For the six months ended	
	30 June 2020 HK\$'000	30 June 2019 HK\$'000
<b>Operating activities</b>		
Net cash generated from operations	128,349	31,361
Hong Kong Profits Tax paid	(14,050)	(934)
Hong Kong Profits Tax refunded	1,319	–
<b>Net cash generated from operating activities</b>	<b>115,618</b>	<b>30,427</b>
<b>Investing activities</b>		
Payments for acquisition of subsidiaries, net of cash and cash equivalents of the subsidiaries acquired	–	(1,020,715)
Payments for additions to investment properties	–	(1,642)
Payments for additions of property, plant and equipment	(2,534)	–
Net repayment from investment instruments	8,473	–
Bank interest received	2,540	11,239
Interest received from associates	2,832	4,965
Repayment from an associate	29,151	28,660
Advance from an associate	–	125,585
Payment for additional investment in an associate	(14,609)	–
<b>Net cash generated from/(used in) investing activities</b>	<b>25,853</b>	<b>(851,908)</b>
<b>Financing activities</b>		
Interest and other borrowing costs paid	(17,675)	–
Capital element of lease rentals paid	(4,306)	–
Interest element of lease rentals paid	(3,212)	–
Proceeds from new bank loan	402,691	–
Repayment of bank loans	(9,680)	–
(Repayment of)/proceeds from loan from an intermediate holding company	(395,029)	365,979
Capital contribution from non-controlling interests	–	8
Dividends paid	(35,058)	(35,058)
<b>Net cash (used in)/generated from financing activities</b>	<b>(62,269)</b>	<b>330,929</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>79,202</b>	<b>(490,552)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>450,893</b>	<b>1,425,085</b>
Effect of foreign exchange rate changes	(3,326)	–
<b>Cash and cash equivalents at the end of the period</b>	<b>526,769</b>	<b>934,533</b>
<b>Analysis of the balances of cash and cash equivalents at 30 June</b>		
Bank balances and cash	526,769	934,533

The notes on pages 15 to 25 form part of this interim financial information.

# Notes to the Unaudited Interim Financial Information

## 1 GENERAL INFORMATION

Vanke Overseas Investment Holding Company Limited (the “Company” and together with its subsidiaries, the “Group”) is a limited liability company incorporated under the laws of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). The registered office of the Company is P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands and the address of its principal office in Hong Kong is 55th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong. The principal activities of the Group are asset management, property development and property investment.

The Board of Directors of the Company considers the Company’s ultimate holding company is China Vanke Co., Ltd., a joint stock company with limited liability incorporated in the People’s Republic of China and the H shares and A shares of which are listed on the Hong Kong Stock Exchange and the Shenzhen Stock Exchange, respectively.

## 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited consolidated interim financial information (the “Interim Financial Information”) has been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“IASB”) and Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The Interim Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “Listing Rules”).

The Interim Financial Information has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies as required by accounting standards are set out below.

In addition, the 2020 annual financial statements will be the first issued annual financial statements in which the Group makes an explicit and unreserved statement of compliance with International Financial Reporting Standards (“IFRSs”). Therefore, in preparing the Interim Financial Information management has given due consideration to the requirements of IFRS 1, *First-time Adoption of International Financial Reporting Standards*. For this purpose the date of the Group’s transition to IFRSs was determined to be 1 January 2019, being the beginning of the earliest period for which the Group presents comparative information in the Interim Financial Information and will present comparative information in the annual financial statements for the year ending 31 December 2020.



## Notes to the Unaudited Interim Financial Information *(continued)*

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

With due regard to the Group's accounting policies in previous periods and the requirements of IFRS 1, management has concluded that no adjustments were required to the amounts reported under HKFRSs as at the date of transition to IFRSs or in respect of the six months ended 30 June 2019 and the year ended 31 December 2019. Accordingly, the Interim Financial Information continues to include a statement of compliance with HKAS 34 as well as including for the first time a statement of compliance with IAS 34, without adjustment to the Group's financial position, the Group's financial performance or cash flows either at the date of transition to IFRSs or for the comparative period presented in accordance with HKFRSs.

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. The equivalent new and revised HKFRSs consequently issued by the HKICPA as a result of these developments have the same effective date as those issued by the IASB and are in all material aspects identical to the pronouncements issued by the IASB.

None of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in the Interim Financial Information. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The preparation of Interim Financial Information in conformity with IAS 34/HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Interim Financial Information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with IFRSs or HKFRSs.

The Interim Financial Information is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 8 of this interim report. In addition, this Interim Financial Information has been reviewed by the Company's Audit Committee.

# Notes to the Unaudited Interim Financial Information *(continued)*

## 3 REVENUE AND SEGMENT INFORMATION

### (a) Revenue recognised during the period is as follows:

	For the six months ended	
	30 June 2020 HK\$'000	30 June 2019 HK\$'000
<i>Revenue from contracts with customers within the scope of HKFRS 15 recognised over time</i>		
Property management fee income	8,369	7,789
Asset management fee income	114,379	–
<i>Revenue from other sources</i>		
Rental income from investment properties	67,867	43,347
Interest income on investment instruments	42,576	–
	<b>233,191</b>	51,136

### (b) Segment reporting

The Group's chief operating decision maker assesses the performance of the operating segment primarily based on segment profit. Segment profit represents the profit earned by the segment and excludes mainly head office and corporate expenses (net of unallocated income), finance income, finance costs and income tax.

In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has presented the following three segments:

Property investment:	The leasing of the Group's investment properties to earn rental and management fee income and to gain from the appreciation in properties' values in the long term
Property development:	Share of the results of associates that principal activities are property development and financing, interest income from an associate and interest income on investment instruments
Asset management:	Asset management fee income from the provision of asset management services

## Notes to the Unaudited Interim Financial Information *(continued)*

### 3 REVENUE AND SEGMENT INFORMATION *(continued)*

The segment results are as follows:

#### For the six months ended 30 June 2020 (the "Period")

	Property investment HK\$'000	Property development HK\$'000	Asset management HK\$'000	Total HK\$'000
Revenue	76,236	42,576	114,379	233,191
Segment results before changes in fair value of investment properties	63,818	28,829	38,510	131,157
Decrease in fair value of investment properties	(27,686)	–	–	(27,686)
Segment results	36,132	28,829	38,510	103,471
Head office and corporate expenses (net of unallocated income)				(7,294)
Finance income — bank interest income				2,690
Finance costs				(21,587)
Profit before taxation				77,280
Income tax				(22,440)
Profit for the Period				54,840

#### For the six months ended 30 June 2019

	Property investment HK\$'000	Property development HK\$'000	Asset management HK\$'000	Total HK\$'000
Revenue	51,136	–	–	51,136
Segment results before changes in fair value of investment properties	40,045	18,001	–	58,046
Increase in fair value of investment properties	32,564	–	–	32,564
Segment results	72,609	18,001	–	90,610
Head office and corporate expenses (net of unallocated income)				(17,904)
Finance income — bank interest income				11,116
Profit before taxation				83,822
Income tax				(6,060)
Profit for the period				77,762

# Notes to the Unaudited Interim Financial Information *(continued)*

## 4 OTHER INCOME

	For the six months ended	
	30 June 2020	30 June 2019
	HK\$'000	HK\$'000
Compensation received from tenants on early lease termination	62	300
Others	54	55
	<b>116</b>	<b>355</b>

## 5 PROFIT BEFORE TAXATION

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

	For the six months ended	
	30 June 2020	30 June 2019
	HK\$'000	HK\$'000
<b>(a) Finance income</b>		
Interest income on bank deposits and bank balances	(2,690)	(11,116)
Interest income on an amount due from an associate	(2,832)	(3,550)
	<b>(5,522)</b>	<b>(14,666)</b>
<b>(b) Finance costs</b>		
Interest expenses on bank loans	9,774	–
Interest expense on a loan from an intermediate holding company	7,902	–
Interest expenses on lease liabilities	3,212	–
Other borrowing costs	699	–
	<b>21,587</b>	<b>–</b>
<b>(c) Others</b>		
Depreciation		
– owned property, plant and equipment	41	48
– other properties leased for own use	4,823	–
Contributions to defined contribution plan	1,210	53
Salaries, wages and other benefits (including Directors' emoluments)	60,903	4,258
Net foreign exchange loss	198	1,651
Rental and related income from investment properties less direct outgoings of HK\$11,105,000 (six months ended 30 June 2019: HK\$10,514,000)	(65,131)	(40,622)

# Notes to the Unaudited Interim Financial Information *(continued)*

## 6 INCOME TAX

	For the six months ended	
	30 June 2020 HK\$'000	30 June 2019 HK\$'000
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the Period	<b>12,837</b>	4,791
<b>Current tax – Overseas</b>		
Provision for the Period	<b>8,391</b>	–
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<b>1,212</b>	1,269
	<b>22,440</b>	6,060

Provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2019: 16.5%) on the estimated assessable profits for the Period.

Overseas taxation is calculated at rate of tax applicable in the jurisdictions in which the Group is assessed for tax.

Share of associates' taxation credit of HK\$182,000 (six months ended 30 June 2019: taxation charge of HK\$277,000) is included in the results of associates for the Period.

## 7 EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of HK\$54,850,000 (six months ended 30 June 2019: HK\$77,762,000), and 389,527,932 shares (six months ended 30 June 2019: 389,527,932 shares) in issue during the Period.

Diluted earnings per share equals to the basic earnings per share as the Company had no dilutive potential shares in issue during the Period (six months ended 30 June 2019: nil).

## 8 DIVIDEND

(a) Dividend attributable to the interim period:

The Directors do not recommend the payment of an interim dividend for the Period (six months ended 30 June 2019: nil).

(b) Dividend attributable to the previous financial year, approved and paid during the interim period:

	For the six months ended	
	30 June 2020 HK\$'000	30 June 2019 HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the Period, of HK\$0.09 (six months ended 30 June 2019: HK\$0.09) per share	<b>35,058</b>	35,058

# Notes to the Unaudited Interim Financial Information *(continued)*

## 9 INVESTMENT PROPERTIES

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
At 1 January	<b>3,153,973</b>	1,968,000
Acquisitions of subsidiaries	–	1,135,339
Additions	–	896
Fair value (loss)/gain	<b>(27,686)</b>	943
Exchange adjustments	<b>(76,117)</b>	48,795
At 30 June/31 December	<b>3,050,170</b>	3,153,973

Investment properties of the Group were revalued as at 30 June 2020 and 31 December 2019. The valuations were carried out by independent firms of surveyors, Jones Lang LaSalle Corporate Appraisal and Advisory Limited and Knight Frank LLP, which have among their staff with relevant professional qualifications and have recent experience in the location and category of the property being valued. The fair value of investment properties is determined by taking into account the net rental income of the property derived from the existing leases with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the market value at appropriate capitalisation rates, and with reference to the comparable sale transactions as available in the market.

## 10 INTERESTS IN ASSOCIATES AND AMOUNTS DUE FROM/TO ASSOCIATES

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Share of net assets	<b>250,177</b>	252,056
Amount due from an associate (non-current) <i>(note (a)(i))</i>	<b>174,236</b>	201,730
	<b>424,413</b>	453,786
Amount due from an associate (current) <i>(note (a)(i))</i>	<b>4,042</b>	5,699
Amount due to an associate (current) <i>(note (a)(ii))</i>	<b>148,185</b>	148,185

Notes:

(a) Amounts due from/to associates comprise of:

- (i) An amount due from Gold Value Limited of HK\$178,278,000 (31 December 2019: HK\$207,429,000) is unsecured and interest-bearing at Hong Kong Prime Rate minus 2.1% per annum. The amount of HK\$4,042,000 (31 December 2019: HK\$5,699,000) is expected to be recovered within one year, while the remaining amount of HK\$174,236,000 (31 December 2019: HK\$201,730,000) will be recovered after one year.
- (ii) An amount due to Ultimate Vantage Limited of HK\$148,185,000 (31 December 2019: HK\$148,185,000) is unsecured, interest-free and repayable on demand.

# Notes to the Unaudited Interim Financial Information *(continued)*

## 11 TRADE AND OTHER RECEIVABLES AND OTHER NON-CURRENT ASSETS

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Trade receivables	<b>1,934</b>	1,075
Unamortised rent receivables	<b>50,908</b>	58,723
Other receivables	<b>15,668</b>	9,111
Other deposits	<b>5,973</b>	3,316
Prepayments	<b>963</b>	1,574
Amount due from an associate <i>(note 10(a)(i))</i>	<b>4,042</b>	5,699
Amount due from an intermediate holding company <i>(note (b))</i>	<b>30,332</b>	41,857
Amounts due from fellow subsidiaries <i>(note (b))</i>	<b>18,477</b>	11,196
	<b>128,297</b>	132,551
Representing:		
Current	<b>85,886</b>	82,827
Non-current (unamortised rent receivables)	<b>42,411</b>	49,724
	<b>128,297</b>	132,551

### (a) Ageing analysis

As at the end of the reporting period, the ageing analysis of trade receivables based on the date of revenue recognition, is as follows:

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
0 to 30 days	<b>1,423</b>	728
31 to 90 days	<b>368</b>	347
91 to 120 days	<b>38</b>	–
Over 120 days	<b>105</b>	–
	<b>1,934</b>	1,075

Trade receivables are due within 15 to 90 days from the date of revenue recognition.

# Notes to the Unaudited Interim Financial Information *(continued)*

## 11 TRADE AND OTHER RECEIVABLES AND OTHER NON-CURRENT ASSETS *(continued)*

- (b) The amounts due from an intermediate holding company and fellow subsidiaries are unsecured, interest-free and recoverable on demand. Included in the balances were trade receivables from an intermediate holding company and fellow subsidiaries of HK\$30,332,000 (31 December 2019: HK\$23,387,000) and HK\$18,379,000 (31 December 2019: HK\$11,189,000), respectively, which arose from the provision of asset management services. The ageing of these balances are less than 30 days from the date of revenue recognition.

## 12 OTHER PAYABLES AND ACCRUALS

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Other payables	2,984	21,310
Rental and other deposits received	25,093	24,810
Accruals	38,680	29,385
Amount due to an associate <i>(note 10(a)(ii))</i>	148,185	148,185
Amount due to an intermediate holding company <i>(note (a))</i>	41,856	10,054
Amount due to a fellow subsidiary <i>(note (a))</i>	–	309
	<b>256,798</b>	234,053

- (a) The amounts due to an intermediate holding company and a fellow subsidiary are unsecured, interest-free and repayable on demand.
- (b) Except for the rental and other deposits received on investment properties and other payables of HK\$11,637,000 (31 December 2019: HK\$13,014,000) which are expected to be settled after one year, all of the other payables, rental and other deposits received and accruals are expected to be settled within one year or repayable on demand.

## 13 LOAN FROM AN INTERMEDIATE HOLDING COMPANY

The loan from an intermediate holding company is unsecured, interest-bearing at London Inter-bank Offered Rate ("LIBOR") plus 2.1% per annum or the most recent average cost of capital of the lender, whichever is higher, and repayable upon third-party financing becoming available to the Group. The loan has been fully repaid during the Period.



# Notes to the Unaudited Interim Financial Information *(continued)*

## 14 BANK LOANS

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Secured bank loans	<b>1,120,008</b>	774,561
Other borrowing costs capitalised	<b>(3,751)</b>	(2,624)
Total bank loans	<b>1,116,257</b>	771,937
<i>Representing secured bank loans repayable:</i>		
Within 1 year or on demand	<b>9,673</b>	10,357
After 1 year but within 2 years	<b>702,212</b>	10,357
After 2 years but within 5 years	<b>404,372</b>	751,223
	<b>1,106,584</b>	761,580
Total bank loans	<b>1,116,257</b>	771,937

At 30 June 2020, the Group had two banking facilities amounting to HK\$1,000,000,000 (31 December 2019: nil) (the "HK Loan Facility") and GBP75,000,000 (equivalent to HK\$725,483,000) (31 December 2019: GBP75,000,000 (equivalent to HK\$776,779,000)) (the "UK Loan Facility").

Among the HK Loan Facility and the UK Loan Facility, the balance of GBP42,000,000 (equivalent to HK\$406,270,000) (31 December 2019: nil) and GBP73,786,000 (equivalent to HK\$713,738,000) (31 December 2019: GBP74,786,000 (equivalent to HK\$774,561,000)) were utilised as at 30 June 2020, respectively.

The HK Loan Facility is interest-bearing at the LIBOR plus 2.1% per annum, secured by share charges in respect of the equity interests of certain subsidiaries of the Group (the "HK Subsidiaries") and floating charges over all the rental related receivables of the HK Subsidiaries, and guaranteed by the Company. It has an initial term of 12 months from its utilisation date and upon the end of the initial 12-month term, the Group may exercise not more than four consecutive 12-month extension options subject to satisfaction of certain extension conditions.

The HK Loan Facility is subject to the fulfilment of covenants relating to the HK Subsidiaries' and the Company's financial ratios, obligations on the HK Subsidiaries' immediate holding companies to maintain their beneficial interests in the HK Subsidiary's issued share capital and obligation on the Company's ultimate holding company to maintain its beneficial interest of at least 30% of the entire issued share capital of a subsidiary of the Group.

The UK Loan Facility is interest-bearing at the LIBOR plus 1.95% per annum and secured by all assets held by a subsidiary (the "UK Subsidiary"). These included the Group's investment properties located in the United Kingdom of HK\$1,045,710,000 at 30 June 2020 (31 December 2019: HK\$1,149,513,000). It is repayable by instalment in accordance with repayment schedule and will be matured on 16 January 2022.

# Notes to the Unaudited Interim Financial Information *(continued)*

## 14 BANK LOANS *(continued)*

The UK Loan Facility is subject to the fulfilment of covenants relating to certain of the UK Subsidiary's statement of financial position ratios and an obligation on its immediate holding company to maintain its beneficial interest in that UK Subsidiary's issued share capital.

At 30 June 2020, none of the covenants relating to drawn down facilities had been breached. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants.

## 15 COMMITMENTS

Capital commitments outstanding at 30 June 2020 not provided for in the financial statements were as follows:

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Contracted for	46,110	23,767
Authorised but not contracted for	–	905
	<b>46,110</b>	<b>24,672</b>

## 16 MATERIAL RELATED PARTY TRANSACTIONS

- (i) In addition to the transactions and balances disclosed elsewhere in this Interim Financial Information, the Group entered into the following material related party transactions in its ordinary course of business during the Period.

	For the six months ended	
	30 June 2020 HK\$'000	30 June 2019 HK\$'000
Management and administrative fee payable to an intermediate holding company <i>(note (a))</i>	5,270	1,037
Asset management fee income received/receivable from <i>(note (b))</i>		
– an intermediate holding company	63,303	–
– fellow subsidiaries	51,076	–
Key management personnel compensation <i>(note (c))</i>	870	950

Notes:

- (a) *Management and administrative fee is charged at terms agreed by both parties. The details of the amount due to this intermediate holding company are set out in note 12(a).*
- (b) *Assets management fee income is charged at terms agreed by both parties. The details of the amounts due from an intermediate holding company and fellow subsidiaries are set out in note 11(b).*
- (c) *Key management personnel represent the directors of the Company.*
- (ii) During the six months ended 30 June 2019, the Group acquired certain subsidiaries from an intermediate holding company and fellow subsidiaries with a total consideration of HK\$1,086,537,000.

# Other Information

## REVIEW OF INTERIM FINANCIAL INFORMATION

The interim financial information of the Group for the Period is unaudited, but has been reviewed by KPMG, the Company's independent auditor, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA, whose unmodified review report is included in this interim report. The interim financial information has also been reviewed by the Company's Audit Committee (which does not have any disagreement).

Apart from reviewing the interim financial information, the Audit Committee has also considered the significant accounting principles and policies adopted by the Company and discussed with management the internal control and financial reporting matters in respect of this interim report.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the Period.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries to the Directors, all the Directors confirmed that they had complied with the required standard set out in the Model Code throughout the Period. The Company has also established written guidelines on no less exacting terms than the Model Code for relevant employees (as such term is defined in the CG Code) in respect of their dealings in the securities of the Company.

## PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the Period.

## UPDATE ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to rule 13.51B(1) of the Listing Rules, the changes in information of the Directors since the date of the issuance of the annual report of the Company for the year ended 31 December 2019 are set out below:

1. Ms. Que Dongwu was appointed a staff representative supervisor of the 10th session of the supervisory committee of China Vanke Co., Ltd ("China Vanke"); and
2. Mr. Chan Wai Hei, William was appointed an independent non-executive director of China Shandong Hi-Speed Financial Group Limited, a company listed on the Main Board of the Hong Kong Stock Exchange.

## Other Information *(continued)*

### DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30 June 2020, the interests or short positions of the Directors in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

#### Interests in associated corporations

Name of Director	Name of associated corporation	Type of shares	Number of ordinary shares held					Total Interests	Percentage of issued share capital
			Interest held as beneficial owner	Interest held by spouse	Interest held by controlled corporations	Other interests	Number of underlying shares held under equity derivatives		
Zhang Xu	China Vanke	A shares	904,039	-	-	-	-	904,039 <i>(Note 1)</i>	0.0093%
Que Dongwu	China Vanke	A shares	60,700	-	-	-	-	60,700 <i>(Note 1)</i>	0.0006%
Chan Chi Yu	China Vanke	H shares	-	-	500,203	-	-	500,203 <i>(Note 1)</i>	0.0264%
Lee Kai-Yan	Vanke US Management LLC ("Vanke US")	Ordinary	-	-	20%	-	-	20% <i>(Note 2)</i>	20%
Lin Lily	Vanke Overseas UK Management Limited	Ordinary	490	-	-	-	-	490	9.8%
	Lithium Topco Limited	Ordinary	-	-	521	-	-	521 <i>(Note 3)</i>	0.0521%
	Lithium Topco Limited	Preference	-	-	95	-	-	95 <i>(Note 3)</i>	0.0551%

## Other Information *(continued)*

### DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES *(continued)*

#### Interests in associated corporations *(continued)*

Notes:

1. *The total number of ordinary A shares of China Vanke in issue as at 30 June 2020 was 9,724,196,533 and the total number of ordinary H shares of China Vanke in issue as at 30 June 2020 was 1,893,535,668. 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.*
2. *Mr. Lee Kai-Yan has 49% membership interest in Minerva US LLC, which in turn has 20% membership interest in Vanke US. Accordingly, Minerva US LLC is a controlled corporation of Mr. Lee Kai-Yan and Mr. Lee Kai-Yan is deemed interested in Vanke US.*
3. *The total number of ordinary shares and preference shares of Lithium Topco Limited in issue as at 30 June 2020 was 1,000,000 and 172,494, respectively. Ms. Lin Lily has approximately 34.7% interest in Valliance Capital Europe LP which in turn owns 521 ordinary shares and 95 preference shares in Lithium Topco Limited. Accordingly, Valliance Capital Europe LP is a controlled corporation of Ms. Lin Lily and Ms. Lin Lily is deemed interested in the shares in Lithium Topco Limited.*

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 30 June 2020, 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 or were granted any right to subscribe for the securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights which was required to be recorded in the register kept by the Company under section 352 of the SFO or which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Pursuant to a business partnership scheme adopted by China Vanke in 2014, certain employees of the China Vanke Group have been admitted as business partners entrusting part of their bonuses into a collective account for investment management by Shenzhen Ying'an Financial Advisory Limited, including the introduction of leveraged finance for investment. All business partners in the scheme have undertaken that the collective bonuses and derivative assets will be centralised under closed-end management, without any payment to specific individuals, before the release of the contingent obligation requiring the return of the collective bonuses. An investment management and holding agreement was executed by all business partners. Mr. Zhang Xu, Ms. Que Dongwu, Mr. Lee Kai-Yan and Ms. Lin Lily are beneficiaries in the scheme.

Save for the above, at no time during the Period was the Company or any of its subsidiaries or the Company's holding company or a subsidiary of the Company's holding company a party to any arrangements that enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

The Company did not have any share option scheme in force during the Period.

## Other Information *(continued)*

### INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

Apart from the interests or short positions of the Directors in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as disclosed in the section "Directors' Interests in Equity or Debt Securities", the register kept by the Company under section 336 of the SFO (the "Register") records that, as at 30 June 2020, the Company has been notified of the following interests or short positions in the shares of 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:

1. *As recorded in the Register, the 292,145,949 ordinary shares of the Company are held by China Vanke through Wkland Investments Company Limited ("Wkland Investments"), which is an indirect wholly-owned subsidiary of China Vanke. Wkland Investments is a direct wholly-owned subsidiary of Wkland Limited. Wkland Limited is a direct wholly-owned subsidiary of Vanke Property (Hong Kong) Company Limited ("VPHK"). VPHK is a direct wholly-owned subsidiary of Shanghai Vanke Enterprise Company Limited. Shanghai Vanke Enterprise Company Limited is a direct wholly-owned subsidiary of Shanghai Vanke Investment and Management Company Limited. Shanghai Vanke Investment and Management Company Limited is a direct wholly-owned subsidiary of China Vanke.*
2. *As recorded in the Register, the 30,080,000 ordinary shares of the Company 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 direct wholly-owned subsidiary of CITIC Securities Company Limited.*

Save as disclosed above, no other persons had any interests or short positions in the shares or underlying shares of the Company as at 30 June 2020 as recorded in the Register, or as otherwise notified to the Company and the Stock Exchange of Hong Kong.

## Other Information *(continued)*

### **LOAN FACILITY WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER**

The following disclosures are made in compliance with the disclosure requirements under rule 13.21 of the Listing Rules.

On 17 June 2020, Chericourt Company Limited (“Chericourt”), an indirect wholly-owned subsidiary of the Company, as borrower, entered into a facility agreement (the “Facility Agreement”) with a bank for a term loan facility of HK\$1,000,000,000 (the “Loan Facility”) for a period of 12 months from its utilisation date and upon the end of the initial 12-month term, Chericourt may exercise not more than four consecutive 12-month extension options subject to satisfaction of certain extension conditions. Under the Loan Facility, it would constitute an event of default if China Vanke ceases to be the beneficial owner (by way of indirect ownership through the Company) of at least 30% of the entire issued share capital of Future Best Developments Limited, an indirect wholly-owned subsidiary of the Company. Upon the occurrence of the event of default, the Loan Facility under the Facility Agreement together with accrued interest, and all other amounts accrued under the Facility Agreement will become immediately due and payable.

Until the publication of this interim report, the circumstances giving rise to the obligations under rule 13.18 of the Listing Rules continued to exist.

### **PUBLICATION OF INTERIM REPORT**

This interim report in both English and Chinese is available in printed form and on the website of the Company at [www.vankeoverseas.com](http://www.vankeoverseas.com) and the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). Shareholders may at any time change their means of receiving corporate communications of the Company (in hard copy or through electronic means) free of charge by giving reasonable notice in writing to the Company’s Hong Kong Share Registrar or by email to [vankeoverseas.ecom@computershare.com.hk](mailto:vankeoverseas.ecom@computershare.com.hk).