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# vanke

萬科海外投資控股有限公司

**VANKE OVERSEAS INVESTMENT HOLDING COMPANY LIMITED**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01036)

**ANNOUNCEMENT OF UNAUDITED RESULTS FOR  
THE SIX MONTHS ENDED 30 JUNE 2020  
AND  
RESIGNATION OF EXECUTIVE DIRECTOR**

**INTERIM RESULTS**

The Board of Directors (the “**Board**”) of Vanke Overseas Investment Holding Company Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2020 (the “**Period**”) as follows:

**Consolidated Statement of Profit or Loss**

*For the six months ended 30 June 2020*

		<b>Unaudited</b>	
		<b>For the six months ended</b>	
	<i>Note</i>	<b>30 June 2020</b>	<b>30 June 2019</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
<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
		<i>HK\$</i>	<i>HK\$</i>
<b>Earnings per share – basic and diluted</b>	7	<b>0.14</b>	0.20

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*

	<b>Unaudited</b>	
	<b>For the six months ended</b>	
	<b>30 June 2020</b>	30 June 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
<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	<u>1,812</u>	<u>–</u>
<b>Total comprehensive income for the period</b>	<b><u>56,652</u></b>	<b><u>77,762</u></b>
<b>Attributable to:</b>		
Shareholders of the Company	<b>56,662</b>	77,762
Non-controlling interests	<u>(10)</u>	<u>–</u>
<b>Total comprehensive income for the period</b>	<b><u>56,652</u></b>	<b><u>77,762</u></b>

**Consolidated Statement of Financial Position**  
At 30 June 2020

		<b>Unaudited</b>	Audited
		<b>At</b>	At
		<b>30 June</b>	31 December
		<b>2020</b>	2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<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
		<u>4,139,634</u>	<u>4,262,236</u>
<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
		<u>1,164,567</u>	<u>1,060,746</u>
<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)
		<u>(307,418)</u>	<u>(694,508)</u>
<b>Net current assets</b>		<u>857,149</u>	<u>366,238</u>
<b>Total assets less current liabilities</b>		<u>4,996,783</u>	<u>4,628,474</u>
<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)
		<u>(1,210,655)</u>	<u>(863,940)</u>
<b>NET ASSETS</b>		<u>3,786,128</u>	<u>3,764,534</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		3,895	3,895
Reserves		3,781,976	3,760,372
<b>Total equity attributable to shareholders of the Company</b>		<u>3,785,871</u>	<u>3,764,267</u>
<b>Non-controlling interests</b>		<u>257</u>	<u>267</u>
<b>TOTAL EQUITY</b>		<u>3,786,128</u>	<u>3,764,534</u>

## Notes

### 1. GENERAL INFORMATION

The Company 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, Uglan 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. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

The interim results set out in the announcement do not constitute the Group’s interim report for the six months ended 30 June 2020 but are extracted from the report.

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.

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 Hong Kong Financial Reporting Standards (“**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.

### 3. REVENUE AND SEGMENT INFORMATION

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

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

(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

The segment results are as follows:

**For the six months ended 30 June 2020**

	Property investment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>76,236</u>	<u>42,576</u>	<u>114,379</u>	<u>233,191</u>
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	<u>(27,686)</u>	<u>–</u>	<u>–</u>	<u>(27,686)</u>
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				<u>(21,587)</u>
Profit before taxation				77,280
Income tax				<u>(22,440)</u>
Profit for the Period				<u>54,840</u>

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

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

#### 4. OTHER INCOME

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

#### 5. PROFIT BEFORE TAXATION

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

	<b>For the six months ended</b>	
	<b>30 June 2020</b>	30 June 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
<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)
	<u>(5,522)</u>	<u>(14,666)</u>
<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	–
	<u>21,587</u>	<u>–</u>
<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)
	<u>(65,131)</u>	<u>(40,622)</u>

## 6. INCOME TAX

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

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	30 June 2019
	HK\$'000	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	<u>35,058</u>	<u>35,058</u>



## 9. INVESTMENT PROPERTIES

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

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

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

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

### (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	1,423	728
31 to 90 days	368	347
91 to 120 days	38	–
Over 120 days	105	–
	<u>1,934</u>	<u>1,075</u>

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

- (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
	<u>256,798</u>	<u>234,053</u>

- (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.

## 14. BANK LOANS

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Secured bank loans	1,120,008	774,561
Other borrowing costs capitalised	(3,751)	(2,624)
Total bank loans	<u>1,116,257</u>	<u>771,937</u>
<i>Representing secured bank loans repayable:</i>		
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
	<u>1,106,584</u>	<u>761,580</u>
Total bank loans	<u>1,116,257</u>	<u>771,937</u>

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.

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.

## 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% (30 June 2019: 99%). Total revenue from the leasing of Ryder Court during the Period was approximately HK\$24.8 million (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.

## **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).

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.

## **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 <b>30 June</b> <b>2020</b> <i>HK\$'000</i>	At 31 December 2019 <i>HK\$'000</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><u>1,116,257</u></b>	<u>771,937</u>

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.

### **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 announcement, 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 announcement.

## **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).

## **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.

## **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.

## **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. The interim financial information has also been reviewed by the Company's Audit Committee (which does not have any disagreement).

## **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.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This results announcement is published 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). The interim report of the Company will be despatched to shareholders and published on the aforesaid websites in due course.

## **RESIGNATION OF EXECUTIVE DIRECTOR**

The Board wishes to announce that Ms. Lin Lily has resigned as an executive Director with effect from 21 August 2020 in order to devote more time to her personal commitments.

Ms. Lin Lily has confirmed that (i) she has no claims against the Group in respect of her resignation; (ii) she has no disagreement with the Board; and (iii) there is no matter with respect to her resignation as the executive Director that needs to be brought to the attention of the Hong Kong Stock Exchange and shareholders of the Company.

The Board would like to take this opportunity to express its appreciation for the valuable contribution of Ms. Lin Lily to the Company during her term of service as the executive Director.

By order of the Board  
**VANKE OVERSEAS INVESTMENT HOLDING  
COMPANY LIMITED**

**Que Dongwu**  
*Executive Director and Chief Executive Officer*

Hong Kong, 21 August 2020

As at the date of this announcement, the directors of the Company are:

*Executive Directors:*

*Mr. Zhang Xu (Chairman), Ms. Que Dongwu (Chief Executive Officer), Mr. Lee Kai-Yan,  
Ms. Lin Lily*

*Non-Executive Director:*

*Mr. Chan Chi Yu*

*Independent Non-Executive Directors (in alphabetical order):*

*Mr. Chan Wai Hei, William, Ms. Law Chi Yin, Cynthia, Mr. Zhang Anzhi*