

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2021

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 2021 (the “**Period**”) as follows:

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2021

		Unaudited	
		For the six months ended	
	Note	30 June 2021	30 June 2020
		HK\$'000	HK\$'000
Revenue	3	230,707	233,191
Cost of services		(83,366)	(86,949)
Gross profit		147,341	146,242
Other income	4	343	116
Administrative and other operating expenses		(12,338)	(8,839)
Increase/(decrease) in fair value of investment properties		45,081	(27,686)
Operating profit		180,427	109,833
Finance income	5(a)	1,452	5,522
Finance costs	5(b)	(16,460)	(21,587)
Share of results of associates		117,107	(16,488)
Profit before taxation	5	282,526	77,280
Income tax	6	(10,960)	(22,440)
Profit for the period		271,566	54,840
Attributable to:			
Shareholders of the Company		271,539	54,850
Non-controlling interests		27	(10)
Profit for the period		271,566	54,840
		HK\$	HK\$
Earnings per share – basic and diluted	7	0.70	0.14

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 2021

	Unaudited	
	For the six months ended	
	30 June 2021	30 June 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	271,566	54,840
Other comprehensive income for the period:		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of the financial statements of overseas subsidiaries	(768)	1,812
Total comprehensive income for the period	270,798	56,652
Attributable to:		
Shareholders of the Company	270,780	56,662
Non-controlling interests	18	(10)
Total comprehensive income for the period	270,798	56,652

Consolidated Statement of Financial Position

At 30 June 2021

		Unaudited At 30 June 2021 HK\$'000	Audited At 31 December 2020 HK\$'000
	<i>Note</i>		
Non-current assets			
Investment properties	9	3,187,883	3,127,531
Property, plant and equipment		657,407	640,299
Interests in associates	10	496,799	375,854
Other non-current assets	11	41,170	42,305
Investment instruments		–	598,488
		<u>4,383,259</u>	<u>4,784,477</u>
Current assets			
Trade and other receivables	11	79,767	103,622
Investment instruments		647,848	–
Tax recoverable		164	2,546
Bank balances and cash		659,719	610,851
		<u>1,387,498</u>	<u>717,019</u>
Current liabilities			
Other payables and accruals	12	(258,287)	(228,900)
Bank loans	13	(784,790)	(10,662)
Lease liabilities		(8,150)	(11,197)
Tax payable		(16,000)	(13,229)
		<u>(1,067,227)</u>	<u>(263,988)</u>
Net current assets		<u>320,271</u>	<u>453,031</u>
Total assets less current liabilities		<u>4,703,530</u>	<u>5,237,508</u>
Non-current liabilities			
Bank loans	13	(451,988)	(1,221,041)
Lease liabilities		(56,960)	(58,792)
Deferred tax liabilities		(47,054)	(45,887)
		<u>(556,002)</u>	<u>(1,325,720)</u>
NET ASSETS		<u>4,147,528</u>	<u>3,911,788</u>
CAPITAL AND RESERVES			
Share capital		3,895	3,895
Reserves		4,143,365	3,907,643
Total equity attributable to shareholders of the Company		<u>4,147,260</u>	<u>3,911,538</u>
Non-controlling interests		<u>268</u>	<u>250</u>
TOTAL EQUITY		<u>4,147,528</u>	<u>3,911,788</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 considers the immediate holding company and the ultimate holding company to be Wkland Investments Company Limited and China Vanke Co., Ltd.. Wkland Investments Company Limited is a company incorporated in the British Virgin Islands with limited liability, while China Vanke Co., Ltd. is 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 interim results set out in the announcement do not constitute the Group’s interim report for the six months ended 30 June 2021 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 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies as required by accounting standards are set out below.

The IASB has issued certain amendments to International Financial Reporting Standards (“**IFRSs**”) that are first effective for the current accounting period of the Group. The equivalent revised Hong Kong Financial Reporting Standards (“**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 and 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 2020 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 and HKFRSs.

3. REVENUE AND SEGMENT INFORMATION

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

	For the six months ended	
	30 June 2021	30 June 2020
	HK\$'000	HK\$'000
<i>Revenue from contracts with customers within the scope of HKFRS 15 recognised over time</i>		
Property management fee income	8,057	8,369
Asset management fee income	114,797	114,379
<i>Revenue from other sources</i>		
Rental income from investment properties	63,527	67,867
Interest income on investment instruments	44,326	42,576
	<u>230,707</u>	<u>233,191</u>

(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 from the Group's perspective, 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 2021

	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>71,584</u>	<u>44,326</u>	<u>114,797</u>	<u>230,707</u>
Segment results before changes in fair value of investment properties	56,553	162,401	44,953	263,907
Increase in fair value of investment properties	<u>45,081</u>	<u>–</u>	<u>–</u>	<u>45,081</u>
Segment results	101,634	162,401	44,953	308,988
Head office and corporate expenses (net of unallocated income)				(10,242)
Finance income – bank interest income				240
Finance costs				<u>(16,460)</u>
Profit before taxation				282,526
Income tax				<u>(10,960)</u>
Profit for the Period				<u>271,566</u>

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>

4. OTHER INCOME

	For the six months ended	
	30 June 2021	30 June 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Compensation received from tenants on early lease termination	91	62
Others	252	54
	<u>343</u>	<u>116</u>

5. PROFIT BEFORE TAXATION

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

	For the six months ended	
	30 June 2021	30 June 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
(a) Finance income		
Interest income on bank deposits and bank balances	(240)	(2,690)
Interest income on an amount due from an associate	(1,212)	(2,832)
	<u>(1,452)</u>	<u>(5,522)</u>
(b) Finance costs		
Interest expenses on bank loans	12,647	9,774
Interest expense on a loan from an intermediate holding company	–	7,902
Interest expenses on lease liabilities	1,562	3,212
Other borrowing costs	2,251	699
	<u>16,460</u>	<u>21,587</u>
(c) Others		
Depreciation		
– owned property, plant and equipment	139	41
– other properties leased for own use	5,519	4,823
Contributions to defined contribution plan	2,516	1,583
Salaries, wages and other benefits (including Directors' emoluments)	55,539	60,903
Net foreign exchange (gain)/loss	(69)	198
Rental and related income from investment properties less direct outgoings of HK\$13,575,000 (six months ended 30 June 2020: HK\$11,105,000)	(58,009)	(65,131)
	<u>(58,009)</u>	<u>(65,131)</u>

6. INCOME TAX

	For the six months ended	
	30 June 2021	30 June 2020
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the Period	3,844	12,837
Current tax – Overseas		
Provision for the Period	5,949	8,391
Deferred tax		
Origination and reversal of temporary differences	1,167	1,212
	<u>10,960</u>	<u>22,440</u>

Provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2020: 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 charge of HK\$285,000 (six months ended 30 June 2020: taxation credit of HK\$182,000) 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\$271,539,000 (six months ended 30 June 2020: HK\$54,850,000), and 389,527,932 shares (six months ended 30 June 2020: 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 2020: 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 2020: nil).

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

	For the six months ended	
	30 June 2021	30 June 2020
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved during the Period, of HK\$0.09 (six months ended 30 June 2020: approved and paid of HK\$0.09) per share	<u>35,058</u>	<u>35,058</u>

9. INVESTMENT PROPERTIES

	At 30 June 2021 <i>HK\$'000</i>	At 31 December 2020 <i>HK\$'000</i>
At 1 January	3,127,531	3,153,973
Additions	1,855	–
Fair value gain/(loss)	45,081	(56,173)
Exchange adjustments	13,416	29,731
	<u>3,187,883</u>	<u>3,127,531</u>
At 30 June/31 December	<u>3,187,883</u>	<u>3,127,531</u>

Investment properties of the Group were revalued as at 30 June 2021 and 31 December 2020. 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 2021 <i>HK\$'000</i>	At 31 December 2020 <i>HK\$'000</i>
Share of net assets	419,150	285,168
Amount due from an associate (non-current) (<i>note (a)(i)</i>)	77,649	90,686
	<u>496,799</u>	<u>375,854</u>
Amount due from an associate (current) (<i>note (a)(i)</i>)	1,920	2,075
Amount due to an associate (current) (<i>note (a)(ii)</i>)	106,161	95,561

Notes:

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

- (i) An amount due from Gold Value Limited of HK\$79,569,000 (31 December 2020: HK\$92,761,000) is unsecured and interest-bearing at Hong Kong Prime Rate minus 2.1% per annum. The amount of HK\$1,920,000 (31 December 2020: HK\$2,075,000) is expected to be recovered within one year, while the remaining amount of HK\$77,649,000 (31 December 2020: HK\$90,686,000) will be recovered after one year.
- (ii) An amount due to Ultimate Vantage Limited of HK\$106,161,000 (31 December 2020: HK\$95,561,000) is unsecured, interest-free and repayable on demand.

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

	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
Trade receivables, net of loss allowance	1,675	1,809
Unamortised rent receivables	49,804	54,122
Other receivables	12,458	15,639
Other deposits	6,044	5,980
Prepayments	1,562	2,700
Amount due from an associate (<i>note 10(a)(i)</i>)	1,920	2,075
Amount due from an intermediate holding company (<i>note (b)</i>)	18,588	34,959
Amounts due from fellow subsidiaries (<i>note (b)</i>)	28,886	28,643
	<u>120,937</u>	<u>145,927</u>
Representing:		
Current	79,767	103,622
Non-current (unamortised rent receivables)	41,170	42,305
	<u>120,937</u>	<u>145,927</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 2021 HK\$'000	At 31 December 2020 HK\$'000
0 to 30 days	1,015	1,178
31 to 90 days	660	631
	<u>1,675</u>	<u>1,809</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\$18,588,000 (31 December 2020: HK\$34,959,000) and HK\$28,765,000 (31 December 2020: HK\$28,480,000), 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 2021 HK\$'000	At 31 December 2020 HK\$'000
Other payables	18,460	18,559
Rental and other deposits received	24,132	23,935
Accruals	74,190	53,804
Amount due to an associate (<i>note 10(a)(ii)</i>)	106,161	95,561
Amount due to an intermediate holding company (<i>note (a)</i>)	34,566	36,593
Amount due to a fellow subsidiary (<i>note (a)</i>)	778	448
	<u>258,287</u>	<u>228,900</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\$12,101,000 (31 December 2020: HK\$11,584,000) 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. BANK LOANS

	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
Secured bank loans	1,238,792	1,234,509
Other borrowing costs capitalised	(2,014)	(2,806)
Total bank loans	<u>1,236,778</u>	<u>1,231,703</u>
<i>Representing secured bank loans repayable:</i>		
Within 1 year or on demand	784,790	10,662
After 1 year but within 2 years	–	774,667
After 2 years but within 5 years	451,988	446,374
	<u>451,988</u>	<u>1,221,041</u>
Total bank loans	<u>1,236,778</u>	<u>1,231,703</u>

At 30 June 2021, the Group had two banking facilities amounting to HK\$1,000,000,000 (31 December 2020: HK\$1,000,000,000) (the “**HK Loan Facility**”) and GBP75,000,000 (equivalent to HK\$809,415,000) (31 December 2020: GBP75,000,000 (equivalent to HK\$779,650,000)) (the “**UK Loan Facility**”).

Among the HK Loan Facility and the UK Loan Facility, the balance of GBP42,000,000 (equivalent to HK\$453,272,000) (31 December 2020: GBP42,000,000 (equivalent to HK\$447,804,000)) and GBP72,786,000 (equivalent to HK\$785,520,000) (31 December 2020: GBP73,786,000 (equivalent to HK\$786,705,000)) were utilised as at 30 June 2021, respectively.

The HK Loan Facility is interest-bearing at the London Inter-bank Offered Rate (“**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\$1,183,423,000 at 30 June 2021 (31 December 2020: HK\$1,123,071,000). 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 2021, 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

BUSINESS REVIEW

During the six months ended 30 June 2021 (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\$230.7 million (six months ended 30 June 2020: HK\$233.2 million), representing a decrease of 1%. The slight decrease was mainly due to the decrease in revenue generated from the investment properties.

The Group’s investment in Regent Centre was at a fair value at approximately HK\$2,004.5 million as at 30 June 2021 (31 December 2020: HK\$2,004.5 million). The Group’s investment in Ryder Court was at a fair value at approximately HK\$1,183.4 million as at 30 June 2021 (31 December 2020: HK\$1,123.0 million). There has been no change in the valuation methodology of the Group’s investment properties. After netting off the additions to investment properties of approximately HK\$1.9 million and the exchange adjustments of investment properties of approximately HK\$13.4 million, the fair value gain amounted to approximately HK\$45.1 million for the Period (six months ended 30 June 2020: fair value loss of HK\$27.7 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\$109.4 million (six months ended 30 June 2020: HK\$99.0 million), representing an increase of approximately 11%. The increase was mainly due to the increase in net profit generated from the asset management services.

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.) (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\$114.8 million (six months ended 30 June 2020: HK\$114.4 million).

Segment profit from the provision of asset management services increased to approximately HK\$45.0 million for the Period (six months ended 30 June 2020: HK\$38.5 million), mainly due to the decrease in overall employee remuneration and other direct operating expenses of the asset management teams.

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 rate of Regent Centre decreased to 95% as at 30 June 2021 (30 June 2020: 97%) with passing rent at HK\$9.6 per square foot as at 30 June 2021 (30 June 2020: HK\$10.0 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\$48.8 million (six months ended 30 June 2020: HK\$51.4 million).

As at 30 June 2021, the occupancy rate of the Ryder Court decreased to 86% (30 June 2020: 99%). Total revenue from the leasing of Ryder Court during the Period was approximately HK\$22.8 million (six months ended 30 June 2020: HK\$24.8 million).

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\$56.6 million for the Period (six months ended 30 June 2020: HK\$63.8 million), representing a decrease of 11%. The decrease was mainly due to (i) the decrease in rental income generated from Regent Centre and Ryder Court as a result of the lower average occupancy rate and passing rent during the Period; and (ii) the increase in direct outgoings incurred by Ryder Court's vacated area.

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, all units have been sold at gross proceeds of approximately HK\$10.1 billion and over 99% of the 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\$182.1 million as at 30 June 2021 (31 December 2020: HK\$193.9 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 of approximately HK\$13.2 million (out of the repayment of mortgages by the buyers of The Pavilia Bay to Gold Value). During the Period, the Group has also received advance from Ultimate Vantage of HK\$10.6 million, being advances from Ultimate Vantage to all its shareholders in proportionate to their respective shareholdings.

The Group’s share of profit of TW6 Associates amounted to approximately HK\$1.4 million for the Period (six months ended 30 June 2020: share of loss of HK\$1.1 million). The increase in share of profit was mainly due to the handover of certain units to the buyers of The Pavilia Bay 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, the Group had shared a profit of approximately HK\$115.7 million (six months ended 30 June 2020: share of loss of HK\$15.4 million) from Mission Street Group. The share of profit was mainly due to the one-off termination fee received from a tenant for terminating the lease.

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\$44.3 million (six months ended 30 June 2020: HK\$42.6 million).

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\$162.4 million for the Period (six months ended 30 June 2020: HK\$28.8 million), mainly due to the share of profit of Mission Street Group during the Period.

Head office and corporate expenses

Head office and corporate expenses, net of unallocated income, were approximately HK\$10.2 million during the Period (six months ended 30 June 2020: HK\$7.3 million). The increase was mainly due to the increase in average headcount during the Period.

Finance income

Finance income for the Period amounted to approximately HK\$1.5 million (six months ended 30 June 2020: HK\$5.5 million), comprising interest income on bank deposits and bank balances of approximately HK\$0.3 million for the Period (six months ended 30 June 2020: HK\$2.7 million) and interest income on shareholders' loans due from Gold Value amounted to approximately HK\$1.2 million for the Period (six months ended 30 June 2020: HK\$2.8 million). The decrease in finance income is due to the decrease in bank interest rates 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\$4,147.2 million as at 30 June 2021 (31 December 2020: HK\$3,911.5 million). The increase was mainly due to the equity attributable to the shareholders of the Company for the Period of approximately HK\$270.8 million less a declaration of 2020 final dividend of approximately HK\$35.1 million.

The Group's interest-bearing bank and other borrowings of approximately HK\$1,301.9 million as at 30 June 2021 (31 December 2020: 1,301.7 million) were mainly denominated in pound sterling. The bank loans of approximately HK\$1,236.8 million (31 December 2020: HK\$1,231.7 million) were arranged on a floating rate basis, while the lease liabilities of approximately HK\$65.1 million (31 December 2020: HK\$70.0 million) were arranged on a fixed rate basis.

The Group has two banking facilities amounting to HK\$1,000.0 million (31 December 2020: HK\$1,000.0 million) (the “**HK Loan Facility**”) and GBP75.0 million (equivalent to approximately HK\$809.4 million) (31 December 2020: GBP75.0 million (equivalent to approximately HK\$799.7 million)) in which GBP42.0 million (equivalent to approximately HK\$453.3 million) (31 December 2020: GBP42.0 million (equivalent to approximately HK\$447.8 million) and GBP72.8 million (equivalent to approximately HK\$785.5 million) (31 December 2020: GBP73.8 million (equivalent to approximately HK\$786.7 million)) have been utilised as at 30 June 2021. After deducting other borrowing costs capitalised of approximately HK\$1.3 million (31 December 2020: HK\$1.4 million) and HK\$0.7 million (31 December 2020: HK\$1.4 million), the total outstanding bank loan was approximately HK\$452.0 million and HK\$784.8 million, respectively. As at 30 June 2021, the maturity profile of outstanding bank loan was as follows:

	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
Within 1 year or on demand	784,790	10,662
After 1 year but within 2 years	–	774,667
After 2 years but within 5 years	451,988	446,374
	<u>1,236,778</u>	<u>1,231,703</u>

As at 30 June 2021, 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 31.4% (31 December 2020: 33.3%). The ratio of net debts (interest-bearing bank and other borrowings net of bank balances and cash) divided by total equity was 15.5% (31 December 2020: 17.7%).

The Group’s bank balances and cash amounted to approximately HK\$659.7 million as at 30 June 2021 (31 December 2020: HK\$610.9 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 contractual commitment of HK\$331.9 million as at 30 June 2021 (31 December 2020: HK\$27.0 million) in respect of capital expenditure to be incurred in the development of Chun Yeung Street Property and the renovation of Ryder Court.

Contingent liabilities and financial guarantees

As at 30 June 2021, a banking facility granted to a subsidiary of the Company engaging in the businesses of property investment, which is subject to a guarantee given to a bank by the Company for up to 100% (31 December 2020: 100%) of the fund drawn down, had been utilised to the extent of GBP42.0 million (equivalent to approximately HK\$453.3 million) (31 December 2020: GBP42.0 million (equivalent to approximately HK\$447.8 million)).

Pledge of assets

As at 30 June 2021, the Group's secured bank loans were secured by the following assets of the Group:

- (i) floating charge over all the assets of Lithium Real Estate (Jersey) Limited, a subsidiary which holds Ryder Court, including the investment properties with a carrying value of HK\$1,183.4 million at 30 June 2021 (31 December 2020: HK\$1,123.0 million);
- (ii) the entire share capital of Access Rich Limited, Cheer Win Limited, Chericourt Company Limited, WK Parking Limited and WK Property Financial Limited (collectively, the “**Regent Centre Companies**”), all being the subsidiaries which hold Regent Centre;
- (iii) the entire share capital of Future Best Developments Limited, the holding company of the Regent Centre Companies; and
- (iv) floating charge over all the rental related receivables of the Regent Centre Companies.

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

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 97 employees as at 30 June 2021 (30 June 2020: 93). As a result of the decrease in the overall employee remuneration, there was a decrease in staff costs (including emoluments of directors of the Company (the “**Directors**”)) to approximately HK\$58.1 million (six months ended 30 June 2020: HK\$62.5 million) during the Period.

VPHK provides administrative and management support to the Group on a cost basis. Total fee payable to VPHK amounted to approximately HK\$4.2 million during the Period (six months ended 30 June 2020: HK\$5.3 million), with the decrease mainly attributable to the payment of office overhead expenses to the suppliers directly by the Group itself 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 2020: nil).

OUTLOOK

We believe that year 2021 has been and is expected to be filled with uncertainties and challenges as a result of the outbreak and rapid spread of coronavirus disease 2019 (COVID-19) variants and uncertainties about the effectiveness of vaccines against the variants despite the fact that recent vaccine approvals have raised hopes and many countries have eased their lockdown and economic recovery seems to start to pick up pace in 2021. The overall economic activity remains below the pre-pandemic level as the pandemic restrictions such as social distancing requirements and travel restrictions continue to burden certain economic segments.

Furthermore, although the government has imposed various cooling measures on Hong Kong property market to prevent it from overheating, transacted prices remained at the top end of, if not beating, market expectations in recent government land tenders. Together with prevailing low interest rates, the market was optimistic on the Hong Kong property prices and transacted prices for residential properties continued to be high. In 2021, it is expected that the market sentiment continues to be upbeat as the interest rates are expected to be low and the decreased housing supply. The Group will continue to seek opportunities in the market for business diversification and expansion.

To operate in such a difficult and uncertain macroeconomic environment, we need to be more devoted, more determined, more vigilant and more robust. Notwithstanding the uncertainties having brought certain level of impact on the markets which the Group operates in, the Group is currently financially healthy, and with its 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 2021. In addition, the Group's investment instruments and asset management business are expected to generate stable revenue and profits in the second half of 2021. Looking to the future, the Group is still hopeful that together we can weather this storm and overcome the latest challenges brought upon by the pandemic.

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 and the website of the Hong Kong Stock Exchange at www.hkexnews.hk. The interim report of the Company will be despatched to shareholders and published on the aforesaid websites in due course.

By order of the Board
**VANKE OVERSEAS INVESTMENT HOLDING
COMPANY LIMITED**
Que Dongwu
Executive Director and Chief Executive Officer

Hong Kong, 27 August 2021

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. Zhou Yue

Independent Non-Executive Directors (in alphabetical order):

Mr. Choi Fan Wai, Ms. Law Chi Yin, Cynthia, Mr. Zhang Anzhi