THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Vanke Overseas Investment Holding Company Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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)

MAJOR AND CONNECTED TRANSACTION
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF ENIGMA COMPANY LIMITED
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

ASIAN CAPITAL

A letter from the Board is set out on pages 7 to 15 of this circular. A letter from the Independent Board Committee is set out on page 16 of this circular. A letter from the IFA, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 31 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at 22/F., United Centre, 95 Queensway, Admiralty, Hong Kong on Thursday, 20 January 2022 at 11:30 a.m. is set out on pages EGM-1 to EGM-2 to this circular. Whether or not you are able to attend and/or vote at the extraordinary general meeting in person, you are requested to complete the enclosed proxy form and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from subsequently attending and voting at the extraordinary general meeting or any adjournment thereof in person should you so wish.

PRECAUTIONARY MEASURES FOR THE EGM

Please see page 1 of this circular for measures to be implemented at the EGM to safeguard the health and safety of Shareholders and to prevent the spread of the Novel Coronavirus (COVID-19) pandemic including, without limitation:

- Compulsory temperature screening/checks and health declaration
- Compulsory wearing of your own surgical face masks
- NO distribution of refreshments, drinks, cake coupons or corporate gifts
- Be seated as indicated

Any person who does not comply with the precautionary measures may be denied entry into the EGM venue or be required to leave the EGM venue. The Company reminds all Shareholders that physical attendance in person at the EGM is NOT necessary for the purpose of exercising voting rights and would like to encourage Shareholders to appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM, instead of attending the EGM in person.

31 December 2021

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In view of the ongoing Novel Coronavirus (COVID-19) pandemic, the Company will implement the following preventive measures at the EGM to protect attending Shareholders, staff and other stakeholders from the risk of infection including, without limitation:

(i) Compulsory body temperature checks will be conducted on every attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the meeting venue or be required to leave the meeting venue;

(ii) All attendees may be asked whether (a) he/she travels outside of Hong Kong within the 14-day period immediately before the EGM, and; (b) he/she is subject to any Hong Kong Government prescribed quarantine. Anyone who responds positively to any of these questions may be denied entry into the meeting venue or be required to leave the meeting venue;

(iii) Each attendee must wear a surgical face mask inside the meeting venue at all times. Please note that NO mask will be provided at the meeting venue and attendees should wear their own masks;

(iv) NO refreshments or drinks will be served or taken away, and NO cake coupons or corporate gifts will be distributed; and

(v) Be seated as indicated and maintain a safe distance between seats.

To the extent permitted under law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of the attendees at the EGM. Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcements on such measures as appropriate.

In the interest of all stakeholders' health and safety and consistent with recent COVID-19 guidelines issued by the Government of Hong Kong (available at www.chp.gov.hk/en/features/102742.html), the Company reminds Independent Shareholders that physical attendance in person at the EGM is NOT necessary for the purpose of exercising voting rights. As an alternative, by using the form of proxy attached to this circular with voting instructions inserted, Independent Shareholders may appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM instead of attending the EGM in person. The form of proxy should be returned to the Company's branch share registrar and transfer office in Hong Kong by the time specified as set out in this circular.

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

"Acquisition"	the acquisition of the Sale Share and the Sale Loan pursuant to the terms and conditions of the SPA
"affiliate"	in relation to a body corporate, any subsidiary undertaking or parent undertaking of such body corporate, and any subsidiary undertaking of any such parent undertaking for the time being
"Announcement"	the announcement of the Company dated 22 November 2021 in relation to the Acquisition
"associates"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day (excluding a Saturday, Sunday and a public holiday and any day on which a tropical cyclone warning signal no. 8 or above or a "black" rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. to 5:00 p.m.) on which licensed banks in Hong Kong are open for general banking business
"China Vanke"	China Vanke Co., Ltd.* (萬科企業股份有限公司), a joint stock company established in the PRC with limited liability, the issued H Shares of which are listed on the Stock Exchange (stock code: 2202) and the issued A Shares of which are listed on the Shenzhen Stock Exchange (stock code: 000002)
"Company"	Vanke Overseas Investment Holding Company Limited (萬科海外投資控股有限公司), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Acquisition in accordance with the SPA
"Completion Date"	the date to be agreed between the Parties on which the Completion takes place and which is within 30 Business Days of the fulfilment (or waiver) of all the Conditions or such other day as the Vendor and the Purchaser may agree but no later than the Long Stop Date
"Completion NAV"	has the meaning given to it under the section headed "MAJOR TERMS OF THE SPA — Consideration" in this circular

"Conditions"	conditions precedent to Completion set forth under the SPA
"connected person"	has the meaning ascribed to it under the Listing Rules
"Consideration"	approximately HK$852.9 million (subject to the adjustments), being the total consideration payable by the Purchaser to the Vendor for the Sale Share and the Sale Loan pursuant to the terms and conditions of the SPA
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"Deposit"	has the meaning given to it under the section headed "MAJOR TERMS OF THE SPA — Consideration" in this circular
"Director(s)"	director(s) of the Company
"EGM" or "Extraordinary General Meeting"	the extraordinary general meeting of the Company proposed to be convened and held on Thursday, 20 January 2022 for the Independent Shareholders to consider and, if thought fit, approve the SPA and the transactions contemplated thereunder
"Enlarged Group"	the Group as enlarged by the Target Group
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Board, comprising Mr. Choi Fan Wai, Ms. Law Chi Yin, Cynthia, Mr. Zhang Anzhi, being all the independent non-executive Directors, established for the purpose of, among other things, advising the Independent Shareholders in respect of the SPA and the transactions contemplated thereunder
"IFA" or "Independent Financial Adviser"	Asian Capital Limited (卓亞融資有限公司), a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the appointed independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the SPA and the transactions contemplated thereunder
"Independent Shareholders"	the Shareholders other than China Vanke and its associates

"Independent Third Party(ies)"	a party who is not a connected person of the Company and is independent of the Company and its connected persons
"Knight Frank"	Knight Frank Petty Limited, a firm of qualified valuer engaged by the Company, and an independent third party
"Latest Practicable Date"	29 December 2021, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	30 March 2022 or such other date as the parties may agree in writing
"Management Services Framework Agreement"	the management services framework agreement dated 7 September 2020 entered into between the VOI Parties (namely Vanke Overseas Management Holding Company Limited, Vanke Overseas UK Management Limited, Vanke US Management LLC and Vanke Holdings (Hong Kong) Company Limited) and VPHK Parties (namely Vanke Holdings USA LLC, Vanke Property (Hong Kong) Company Limited and Chogori Investment (Hong Kong) Limited) in relation to the provision of management services from the VOI Parties to the VPHK Parties ((including other subsidiaries of China Vanke which may become interested in any real estate development and/or investment projects (other than investments in the funds managed by an Independent Third Party and its subsidiaries))
"Model Code"	The Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules
"NY Property"	the property located at 25 Park Row, New York, the US
"Parties"	the parties to the SPA
"PRC"	The People's Republic of China and for the purposes of the matters referred to in this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan

"Pre-Completion Undertakings"	the pre-completion undertakings set out in the SPA in respect of the Target Group being covenants made by the Vendor to undertake that it will take or not take certain actions in respect of the Target Group before the Completion such as, to ensure that the Target Group shall carry on its business in the ordinary and usual course of business, to preserve and protect the Target Group's assets, not to enter into any arrangements exceeding a certain amount unless with the consent of the Purchaser, not to declare any dividend, etc.
"Property"	pieces or parcels of ground as described in the paragraph headed "Information of the Property" in this circular
"Purchaser"	Vanke Hong Kong Investment Company Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company
"Retention Amount"	has the meaning given to it under the section headed "MAJOR TERMS OF THE SPA — Consideration" in this circular
"Sale Loan"	such amount of the principal, interest (if any) and other sums and indebtedness due, owing or payable to the VPHK Group (excluding the Group) by the Target Group as at Completion
"Sale Share"	the issued share of the Target Company, representing the entire issued share capital of the Target Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SF Property"	the property located at 657 and 663–667 Mission Street San Francisco, California, the US
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"SPA"	the agreement dated 22 November 2021 entered into between the Vendor and the Purchaser in relation to the sale and purchase of the entire issued share capital of the Target Company and the assignment of the Sale Loan

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiaries"	has the meaning ascribed to it under the Listing Rules
"Substantial Shareholder"	has the meaning ascribed to it under the Listing Rules
"Target Company"	Enigma Company Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of VPHK as at the date of this circular
"Target Group"	the Target Company and its subsidiaries, namely Amber Shine Limited and Lanada (BVI) Company Limited
"Vanke US"	Vanke Holdings USA LLC, a limited liability company incorporated in the State of Delaware and a wholly-owned subsidiary of China Vanke
"Vendor"	Oceanic Jade Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of VPHK
"VPHK"	Vanke Property (Hong Kong) Company Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of China Vanke which indirectly holds 75% of the issued share capital of the Company and is a controlling shareholder of the Company
"VPHK Group"	VPHK and its subsidiaries
"Warranties"	the representations and warranties set out in the SPA in respect of the Target Group, such as corporate matters, accounts, litigations and compliance, banking and finance, contracts, employees, property, insurance, taxation, intellectual property, etc.
"Wkland Investments"	Wkland Investments Company Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of China Vanke
"%"	per cent

* *for identification only*

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)

Executive Directors:
Mr. SUN Jia *(Chairman)*
Ms. QUE Dongwu *(Chief Executive Director)*
Mr. LEE Kai-Yan
Ms. ZHOU Yue

Independent Non-executive Directors:
Mr. CHOI Fan Wai
Ms. LAW Chi Yin, Cynthia
Mr. ZHANG Anzhi

Registered office:
P.O. Box 309,
Ugland House,
Grand Cayman,
KY1-1104,
Cayman Islands

Principal place of business in Hong Kong:
55/F, Bank of China Tower,
1 Garden Road,
Central, Hong Kong

31 December 2021

To: The Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF ENIGMA COMPANY LIMITED AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement. As disclosed in the Announcement, on 22 November 2021 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the SPA with the Vendor, pursuant to which (i) the Purchaser has agreed to acquire, and the Vendor has agreed to sell, the Sale Share, representing the entire issued share capital of the Target Company; and (ii) the Vendor has agreed to assign to the Purchaser, and the Purchaser has agreed to take the assignment of the Sale Loan, for the Consideration of approximately HK$852.9 million subject to the adjustments. Upon Completion, each member of the Target Group will become a wholly-owned subsidiary of the Company and their financial results will be consolidated into the financial statements of the Company.

The purpose of this circular is to provide you with (i) the details of the SPA and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders regarding the SPA and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the SPA and the transactions contemplated thereunder; and (iv) the notice of the EGM.

MAJOR TERMS OF THE SPA

The principal terms of the SPA are summarised below:

Date	:	22 November 2021
Parties	:	(1) Vendor: Oceanic Jade Limited
		(2) Purchaser: Vanke Hong Kong Investment Company Limited

Assets to be acquired

Pursuant to the SPA, subject to the Conditions, the Purchaser has agreed to acquire, and the Vendor has agreed to sell, the Sale Share, representing the entire issued share capital in the Target Company; and the Vendor has agreed to assign to the Purchaser and the Purchaser has agreed to take the assignment of the Sale Loan, which amounted to approximately HK$826.8 million as at 31 October 2021.

Consideration

The Consideration for the sale and purchase of the Sale Share and the Sale Loan is approximately HK$852.9 million, in which the consideration of the Sale Loan shall be the outstanding amount of the Sale Loan as at the date of Completion and the consideration of the Sale Share shall be the Consideration less the consideration of the Sale Loan, subject to adjustment and payable as follows:

(a) approximately HK$42.6 million, representing approximately 5% of the Consideration, has been paid to the Vendor on 26 November 2021 (the “**Deposit**”), which shall be refundable if the SPA is terminated;

(b) approximately HK$767.7 million, representing approximately 90% of the Consideration, to be paid in immediately available funds to the Vendor on Completion; and

(c) approximately HK$42.6 million, representing approximately 5% of the Consideration subject to the adjustments (the “**Retention Amount**”) in immediately available funds on the day falling 5 Business Days after the date of determination of the consolidated net asset value of the Company as at the Completion Date (the “**Completion NAV**”).

The Completion NAV will be determined on the basis of the value of the Property being fixed at HK$635.5 million (on a 100%-basis). The Completion NAV will be determined based on adding all the assets held by the Target Group, and subtracting all the payables and accrued liabilities (other than the Sale Loan), as at the Completion Date.

If the Completion NAV is higher or lower than approximately HK$852.9 million, the Consideration (and the Retention Amount) shall be adjusted upward or downward (both subject to the maximum of the Retention Amount) accordingly based on the difference between the Completion NAV and the Consideration of approximately HK$852.9 million in each case, on a dollar for dollar basis. The Retention Amount (or part thereof) shall then be released to the Vendor or kept by the Purchaser (as the case may be).

The Parties expect that for the period from 1 November 2021 to the Completion Date, the Target Group will incur (i) minimal administrative expenses; (ii) interest from the Target Group's outstanding loans of approximately HK$2.0 million per month; and (iii) construction costs and professional fees in relation to the demolition, ground investigation and design of the Property (subject to the maximum of the capital commitments outstanding at 31 October 2021). In addition, the Completion NAV will be determined on the basis of a fixed value of the Property. Accordingly, the Parties do not expect the Completion NAV to be adjusted by more than the Retention Amount. Therefore, the Company consider that the adjustment mechanism provided under the SPA is fair and reasonable.

The Consideration will be financed by the internal resources of the Company. As the Company expects that proceeds from a disposal by the Group will become available before the Completion Date, there will be sufficient internal resources to finance the Consideration. In the event that such proceeds are not available at Completion and there are insufficient internal resources as at the Completion Date, the Group will finance part of the Consideration by a bank loan.

Basis of determination of the Consideration

The Consideration is determined after arm's length negotiations between the Purchaser and the Vendor with reference to:

(1) the preliminary valuation of the Property of HK$635.5 million as at 31 October 2021;

(2) the consolidated net asset value of the Target Group of approximately HK$311,000 as at 31 October 2021; and

(3) the Sale Loan of approximately HK$826.8 million which the Target Group predominantly used for the costs of acquisition of the land which the Property is situated of approximately HK$609.8 million and costs of the redevelopment of the Property incurred to date.

The valuation of the Property was carried out by Knight Frank, an independent surveyor to the Company. The surveyor valued the Property by market approach. The Company includes the valuation report of the Property as set out in Appendix V to this circular.

Taking into account the basis of determination of the Consideration set out above, the Company considers that the Consideration is fair and reasonable.

Conditions precedent

Completion is conditional upon the fulfillment of the following Conditions (unless otherwise waived by the Purchaser) on or before the Long Stop Date:

(1) all necessary corporate authorisations or shareholders' approvals having been obtained and remaining valid, including approval from the Independent Shareholders at the EGM;

(2) all necessary approvals, licenses, authorisations, consents, waivers or notifications that the Vendor reasonably considers necessary from third parties, governmental or regulatory authorities in connection with the Acquisition required to be obtained having been granted and in effect;

(3) each of the Warranties made by the Vendor remaining true and accurate in all material respects as of the Completion Date;

(4) the legal and financial due diligence on the Target Group's business, operations and the Property by or on behalf of the Purchaser having been completed to the satisfaction of the Purchaser;

(5) there being no material adverse change to (i) the financial position, business operations or prospects of the Target Group; (ii) the Target Group's interest in and rights to the Property; (iii) the title of the relevant Group Company to the Property or the conditions of the Property from the date of the SPA up to Completion Date; and

(6) the Pre-Completion Undertakings in respect of the Target Company having been duly complied with by the Vendor.

Except for the Conditions (1) and (2) which are not waivable, the Purchaser may in its absolute discretion waive by notice in writing to the Vendor any or all of the Conditions.

The Vendor undertakes to the Purchaser to procure the Company to use reasonable endeavours to ensure that the Conditions are fulfilled to the satisfaction of the Purchaser as soon as reasonably practicable and in any event by the Long Stop Date (except for Conditions (3), (5) and (6) which shall be fulfilled upon Completion).

Each of the Parties shall notify the other Party upon fulfillment of the Conditions (the Vendor shall notify the Purchaser on fulfilment of the Conditions (2), (3), (5) and (6), and the Purchaser shall notify the Vendor on fulfilment of the Conditions (1), (2) and (4)).

In the event that any of the Conditions have not been fulfilled (or waived) in full at or before 5:00 p.m. on the Long Stop Date (except for Conditions (3), (5) and (6) which shall be fulfilled upon Completion), either Party may terminate the SPA by serving written notice to the other Party, after which:

(1) the Vendor shall refund the Deposit in full (without interest) to the Purchaser within 15 Business Days; and

(2) the Purchaser shall not be bound to proceed with the purchase of the Sale Share and the Sale Loan.

As at the date of this circular, other than the approval from the Independent Shareholders' at the EGM, all of the Conditions have been fulfilled.

Completion

Completion shall take place on the Completion Date. Upon Completion, each member of the Target Group will become an indirect wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Group will be consolidated in the financial statements of the Company.

INFORMATION ON THE PARTIES

Information on the Group

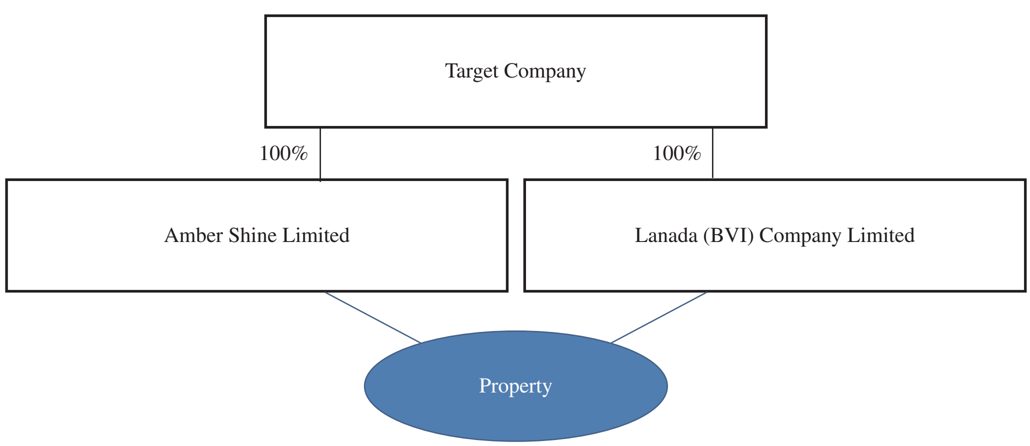
The Company and its subsidiaries are principally engaged in asset management, as well as property development and property investment.

Information on the Vendor and VPHK

The Vendor is a wholly-owned subsidiary of VPHK and is an investment holding company. VPHK is principally engaged in property development and investment. VPHK is a controlling shareholder of the Company and is indirectly wholly owned by China Vanke.

Information on the Target Group

The following is a group structure chart of the Target Group as at the date of this circular:



The Target Company is a limited company incorporated in the British Virgin Islands on 26 August 2015 and is a direct wholly-owned subsidiary of the Vendor. The principal business of the Target Company is investment holding. Amber Shine Limited and Lanada (BVI) Company Limited, both limited companies incorporated in the British Virgin Islands, are the subsidiaries of the Target Company directly holding approximately 10% and 90% of the entire interest in the Property respectively. The Target Group intended to re-develop the Property into a residential and commercial building.

The original acquisition cost incurred by the Target Group for acquiring the entire interest in it and the entire shareholder's loan due from the Target Group (including the transaction fees and stamp duty paid) was approximately HK$827.2 million.

Financial information of the Target Group

Set out below are the summary of the unaudited consolidated accounts of the Target Group for the years ended 31 December 2019 and 2020:

	For the financial year ended	
	31 December 2019	**31 December 2020**
	HK$	*HK$*
	(unaudited)	(unaudited)
Revenue	–	–
Profit before taxation	52,542	1,402,871
Profit after taxation	52,542	1,202,047
Net (liabilities)/asset value	(19,927)	1,182,120

Information of the Property

The Property consists of the pieces or parcels of ground located in Sham Shui Po, Hong Kong comprising (1) Remaining Portion of New Kowloon Inland Lot No. 980, (2) the Remaining Portion of Sub Section 1 of Section A, (3) Remaining Portion of Sub Section 4 of Section A, (4) Remaining Portion of Sub Section 2 of Section A, (5) the Remaining Portion of Sub Section 3 of Section A, (6) the Remaining Portion of Sub Section 5 of Section A and (7) the Remaining Portion of Section A of New Kowloon Inland Lot No. 976, all together with the messuages erections and buildings thereon known as No. 221-233 Yee Kuk Street, Sham Shui Po, Hong Kong. The Property collectively has a site area of approximately 7,420 square feet for residential and/or commercial uses.

The above pieces of land are subject to the government leases which are deemed to have been granted under and by virtue of the Government Leases Ordinance (Chapter 40 of the Laws of Hong Kong) for a term commencing from 1 July 1898 until 30 June 2047.

The Property is currently under demolition and ground investigation. As at the date of this Circular, the project of redeveloping the Property into a residential-based project is in its design phase.

Certain employees of the Group through the co-investment scheme of the VPHK Group implemented in 2021 have made investments in the sum of approximately HK$439,000 in aggregate for the development of the Property and in return receive certain interest income.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, each member of the Target Group will become an indirect wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Group will be consolidated in the financial statements of the Company.

Assets and liabilities

As at 30 June 2021, the unaudited consolidated total assets and liabilities of the Group amounted to approximately HK$5,770.7 million and HK$1,623.2 million, respectively. Assuming the Completion took place on 30 June 2021, the unaudited pro forma consolidated total assets and liabilities of the Enlarged Group would have increased to approximately HK$6,074.0 million and HK$1,927.3 million, respectively, as a result of the Acquisition.

Earnings

As set out in Appendix II to this circular, the loss after tax of the Target Group for the ten months ended 31 October 2021 was approximately HK$871,000.

As the financial results of the Target Group will be consolidated with those of the Group after the Completion, the earnings of the Group will be affected by the performance of the Target Group as from Completion. Since the Target Group is principally engaged in development of the Property which is yet to be developed, the Acquisition will not have any immediate material impact on the earnings of the Group. However, it is expected that the Acquisition will have a positive impact on the overall earnings of the Group and broaden the Group's earnings base in the medium run upon completion of development of the Property.

Further details of the financial effect of the Acquisition together with the bases in preparing the unaudited pro forma financial information are set out in Appendix IV to this circular.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group has been exploring opportunities to increase its scale and profitability with the aim of optimising return for its Shareholders and is positive about the long term prospect of the property market in Hong Kong. The Group intends to develop the Property into a residential-based project. The Board believes that the Acquisition represents an attractive investment opportunity to the Company and would increase the Group's overall competitiveness by broadening the Group's property portfolio and income base which is crucial amid increasing competition.

It is expected that sales of the residential units built on the Property would contribute income to the Group from the second half of 2024.

For the foregoing reasons, the Directors are of the view that the terms and conditions of the SPA have been agreed after arm's length negotiations among the Parties, are in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. Further, as the Vendor is a wholly-owned subsidiary of VPHK, the controlling Shareholder indirectly holding 75% of the issued share capital of the Company, the Vendor is a connected person and the Acquisition constitutes a connected transaction under Chapter

14A of the Listing Rules. Accordingly, the SPA and the transactions contemplated thereunder are subject to reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

None of the Directors have any material interest in the Acquisition, nor have they abstained from voting on the Board resolutions approving the SPA and the transactions contemplated thereunder.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to the SPA and the transactions contemplated thereunder.

Asian Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

A notice convening the EGM to be held at 22/F., United Centre, 95 Queensway, Admiralty, Hong Kong on Thursday, 20 January 2022 at 11:30 a.m. is set out on pages EGM-1 to EGM-2 to this circular.

At the EGM, ordinary resolutions will be proposed to approve the SPA and the transactions contemplated thereunder.

Whether or not you are able to attend and/or vote at the extraordinary general meeting in person, you are requested to complete the enclosed proxy form and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from subsequently attending and voting at the extraordinary general meeting or any adjournment thereof in person should you so wish.

Only Independent Shareholders will be entitled to vote at the EGM on the resolutions to approve the SPA, the transactions contemplated thereunder. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder apart from China Vanke and its associates shall abstain from voting on the resolutions approving the SPA and the transactions contemplated thereunder. Wkland Investments, being an associate of China Vanke, holds 292,145,949 Shares representing 75% of the entire issued share capital of the Company as at the Latest Practicable Date, and will abstain from voting on such resolutions.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, the resolution put to the vote at the EGM will be taken by way of poll. The chairman of the EGM will explain the detailed procedures for conducting a poll at the commencement of the EGM.

After the conclusion of the EGM, the poll results will be published on the respective websites of the Stock Exchange and the Company.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining Shareholders' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 17 January 2022 to Thursday, 20 January 2022, both dates inclusive, during which period no transfer of the Shares will be effected. In order to be eligible to attend and vote at the EGM, all transfers of the Shares accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration by no later than 4:30 p.m. on Friday, 14 January 2022.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 16 of this circular and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 17 to 31 of this circular in connection with the SPA and the transactions contemplated thereunder and reasons considered in arriving at such advice.

The Independent Board Committee, having taken into account the advice of Independent Financial Adviser, considers that the SPA were entered into on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned, and the transactions contemplated under the SPA are in the ordinary and usual course of business of the Group. In addition, the Independent Board Committee considers that the SPA and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of resolution(s) approving the SPA and the transactions contemplated thereunder at the EGM. The Board (including the independent non-executive Directors) also recommends the Independent Shareholders to vote in favour of the approving the SPA and the transactions contemplated thereunder at the EGM.

FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

The Completion is subject to the satisfaction of the conditions precedent thereto and as such, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and other securities of the Company.

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

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)

31 December 2021

To the Independent Shareholders

Dear Sir or Madam

MAJOR AND CONNECTED TRANSACTION ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF ENIGMA COMPANY LIMITED

We refer to the circular dated 31 December 2021 issued by the Company of which this letter forms part (the "**Circular**"). Capitalised terms used in this letter shall have the same meaning as those defined in the Circular unless otherwise specified.

We have been appointed by the Board as the members of the Independent Board Committee to consider and to give recommendation to the Independent Shareholders on the SPA and the transactions contemplated thereunder. We wish to draw your attention to the letter from the Board set out on pages 7 to 15 of the Circular and the letter from the IFA set out on pages 17 to 31 of the Circular.

Having considered the factors and reasons considered by and the opinion of the IFA as stated in its letter, we are of the view that the SPA and the transactions contemplated thereunder are on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned, and the transactions contemplated under the SPA are in the ordinary and usual course of business of the Group, and the entering into of the SPA and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. We, therefore recommend the Independent Shareholders to vote in favour of the resolutions approving the SPA and the transactions contemplated thereunder at the EGM.

Yours faithfully,
Independent Board Committee

Choi Fan Wai	**Law Chi Yin, Cynthia**	**Zhang Anzhi**
Independent Non-Executive Director	*Independent Non-Executive Director*	*Independent Non-Executive Director*

The following is the full text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of inclusion in this Circular.

ASIAN CAPITAL LIMITED
Suite 1405-09, Bank of America Tower
12 Harcourt Road
Central, Hong Kong

31 December 2021

To: the Independent Board Committee and the Independent Shareholders of
Vanke Overseas Investment Holding Company Limited

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF ENIGMA COMPANY LIMITED

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, particulars of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 31 December 2021 (the "**Circular**"), of which this letter forms part. Capitalised terms used herein shall have the same meanings as those defined in the Circular, unless otherwise specified.

With reference to the Letter from the Board, on 22 November 2021, the Vendor, a wholly-owned subsidiary of VPHK, and the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the SPA, pursuant to which (i) the Vendor has conditionally agreed to sell to the Purchaser, and the Purchaser has conditionally agreed to purchase from the Vendor, the Sale Share, representing the entire issued share capital of the Target Company, and (ii) the Vendor agreed to assign to the Purchaser, and the Purchaser agreed to take the assignment of the Sale Loan, for the Consideration of approximately HK$852.9 million subject to adjustments.

With reference to the Letter from the Board, as one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. In addition, as the Vendor is a wholly-owned subsidiary of VPHK, the controlling Shareholder indirectly holding 75% of the issued share capital of the Company, the Vendor is therefore a connected person and the Acquisition also constitutes a connected transaction under Chapter 14A of the Listing Rules. Accordingly, the Acquisition is subject to reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

The Independent Board Committee, comprising Mr. Choi Fan Wai, Ms. Law Chi Yin, Cynthia and Mr. Zhang Anzhi, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders as to (i) whether the terms of the SPA are on normal commercial terms and fair and reasonable; (ii) whether the Acquisition is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Acquisition at the EGM.

OUR INDEPENDENCE

In the past two years and up to the Latest Practicable Date, we only acted as the independent financial adviser to the independent board committee and the independent shareholders of the Company once regarding certain continuing connected transactions as mentioned in the circular of the Company dated 12 October 2020. Apart from normal professional fees for our services to the Company in connection with the engagement described above as well as this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees and benefits from the Group or any other parties that could reasonably be regarded as relevant to our independence.

As at the Latest Practicable Date, there were no relationships or interests between us and the Company, China Vanke, their respective subsidiaries and close associates that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser in respect of the Acquisition.

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, *inter alia*, (i) the annual report of the Company for the year ended 31 December 2020 (the "**2020 Annual Report**"); (ii) the interim report of the Company for the six months ended 30 June 2021 (the "**2021 Interim Report**"); (iii) the SPA; (iv) the valuation report on the Property issued by Knight Frank, an independent qualified valuer (the "**Independent Valuer**") (the "**Valuation Report**"); (v) other information as set out in the Circular; and (vi) relevant market data and information available from public sources.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Target Group, and we have not been furnished with any such evaluation or appraisal, save as and except for the Valuation Report as set out in Appendix V to the Circular. The Valuation Report, which we have relied upon, was prepared by the Independent Valuer.

We have also relied on (i) our discussions with the Directors and the senior management of the Company (collectively, the "**Management**"); (ii) our research on market data; and (iii) statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company and the Management. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us are true and accurate at the time they were made and continued to be accurate as at the Latest Practicable Date.

We consider that we have been provided with sufficient information to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have also assumed that all statements of opinion made by the Management in the Circular were reasonably made after due enquiries and careful consideration.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, that opinions expressed by them in the Circular have been arrived at after due and careful consideration and there are no other material facts not contained in the Circular, the omission of which would make any such statement made by them as contained in the Circular misleading in all material respects.

While we have taken reasonable steps to satisfy the requirements under the Listing Rules, we have not carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company as set out in the Circular, nor have we conducted an independent investigation into the business affairs, internal control or assets and liabilities of the Group or any of the other parties involved in the Acquisition. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

Our opinion is based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments or changes (including any material change in market, economic conditions, counterparty risks and the Novel Coronavirus pandemic) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Acquisition, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Acquisition, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Acquisition

Information of the Group

The Company is an investment holding company. The Group is principally engaged in asset management, as well as property development and property investment.

Financial performance of the Group

A summary of the consolidated financial information of the Group for each of the two years ended 31 December 2019 and 2020 ("**FY2019**" and "**FY2020**" respectively) as extracted from the 2020 Annual Report and each of the six months ended 30 June 2020 and 2021 ("**1H2020**" and "**1H2021**" respectively) as extracted from the 2021 Interim Report is set out as below:

	For the six months ended 30 June		**For the year ended 31 December**	
	2021	**2020**	**2020**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	230,707	233,191	474,524	251,477
Property investment	71,584	76,236	152,721	127,141
Property development	44,326	42,576	84,469	41,438
Asset management	114,797	114,379	237,334	82,898
Gross profit	147,341	146,242	305,281	172,324
Profit for the period/year	271,566	54,840	185,726	133,349

	As at 30 June	**As at 31 December**	
	2021	**2020**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	(audited)	(audited)
Total assets	5,770,757	5,501,496	5,322,982
Bank balances and cash	659,719	610,851	450,893
Total liabilities	1,623,229	1,589,708	1,558,448
Net assets	4,147,528	3,911,788	3,764,534

The revenue of the Group amounted to approximately HK$474.5 million for FY2020, representing an increase of approximately 88.7% as compared to that for FY2019. Revenue from property development amounted to approximately HK$84.5 million for FY2020, representing a significant increase of approximately 103.8% as compared to that for FY2019 and contributing approximately 17.8% of the Group's total revenue for FY2020. Profit of the Group amounted to approximately HK$185.7 million for FY2020, representing an increase of approximately 39.3% as compared to that for FY2019. Segment profit from property development amounted to approximately HK$97.3 million for FY2020, representing an increase of approximately 49.7% as compared to that for FY2019.

According to the 2020 Annual Report, the increase in segment profit for property development was mainly due to the combined effect of (i) the significant increase in interest income generated from the investment instruments for funding the development of the property located at 25 Park Row, New York, the United States of America held by an indirect wholly-owned subsidiary of the Company from approximately HK$41.4 million for FY2019 to approximately HK$84.5 million for FY2020; and (ii) the decrease in share of profit of Ultimate Vantage Limited and Gold Value Limited, which are the Group's associates for development of the West Rail Tsuen Wan West Station TW6 property development project (the "**TW6 Project**" and also known as "**The Pavilia Bay**") and providing first and second mortgage financing to the buyers of the TW6 Project respectively, from approximately HK$19.8 million for FY2019 to approximately HK$3.1 million for FY2020.

The revenue of the Group amounted to approximately HK$230.7 million for 1H2021, representing a decrease of approximately 1.1% as compared to that for 1H2020. Revenue from property development amounted to approximately HK$44.3 million for 1H2021, representing an increase of approximately 4.1% as compared to that for 1H2020 and contributing approximately 19.2% of the Group's total revenue for 1H2021. Profit of the Group amounted to approximately HK$271.6 million for 1H2021, representing a significant increase of approximately 395.2% as compared to that for 1H2020. Segment profit from property development amounted to approximately HK$162.4 million for 1H2021, representing a significant increase of approximately 463.3% as compared to that for 1H2020.

With reference to the 2021 Interim Report, the significant increase in the segment profit for property development was mainly due to the share of profit of 657-667 Mission Street Venture LLC, an associate of the Group, together with its subsidiaries, which owns the property located at 657 and 663-667 Mission Street, San Francisco, California, the United States of America of approximately HK$115.7 million for 1H2021, compared to the share of loss of approximately HK$15.4 million for 1H2020.

As at 30 June 2021, the Group had bank balances and cash of approximately HK$659.7 million, representing an increase of approximately 8.0% as compared to that as at 31 December 2020. Also, the Group had total assets, total liabilities and net assets of approximately HK$5,770.8 million, HK$1,623.2 million and HK$4,147.5 million respectively, representing an increase of approximately 4.9%, 2.1% and 6.0% respectively as compared to those as at 31 December 2020.

Information of VPHK and the Vendor

The Vendor is a wholly-owned subsidiary of VPHK and is an investment holding company. VPHK is principally engaged in property development and investment. VPHK is a controlling shareholder of the Company and is indirectly wholly-owned by China Vanke.

Information of the Target Group

The Target Company is a limited company incorporated in the British Virgin Islands and is a direct wholly-owned subsidiary of the Vendor. The principal business of the Target Company is investment holding.

The Target Group consists of the Target Company and its two direct wholly-owned subsidiaries, namely, Amber Shine Limited and Lanada (BVI) Company Limited, both companies are incorporated in the British Virgin Islands. Amber Shine Limited and Lanada (BVI) Company Limited directly hold approximately 10% and 90% of the entire interest in the Property respectively.

The original acquisition cost incurred by the Target Group for acquiring the entire interest in it and the entire shareholder's loan due from the Target Group (including the transaction fees and stamp duty paid) was approximately HK$827.2 million.

Financial performance of the Target Group

A summary of the consolidated financial information of the Target Group for each of the two years ended 31 December 2020 and the ten months ended 31 October 2021 ("**10M2021**") as extracted from the accountants' report of the Target Group in Appendix II to the Circular is as follows:

	For the ten months ended 31 October		For the year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(unaudited)	(audited)	(audited)	(audited)
(Loss)/profit before taxation	(871)	(568)	1,403	52	(52)
(Loss)/profit and total comprehensive income for the period/year	(871)	(590)	1,202	52	(52)

	As at 31 October	As at 31 December		
	2021	**2020**	**2019**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Total assets	830,340	762,165	10,000	10,000
Total liabilities	(830,029)	(760,983)	(10,020)	(10,072)
Net (liabilities)/ assets	311	1,182	(20)	(72)

With reference to the management discussion and analysis of the Target Group in Appendix III to the Circular, the Target Group has not generated any revenue during the three years ended 31 December 2018, 2019 and 2020 and 10M2021.

The loss before taxation of the Target Group for the year ended 31 December 2018 amounted to approximately HK$52,000, representing administrative expenses incurred from maintaining the Target Company's former subsidiary. The profit before taxation of the Target Group amounted to approximately HK$52,000 and HK$1.4 million for FY2019 and FY2020 respectively. The profit before taxation of the Target Group for FY2019 was attributable to the gain on disposal of a subsidiary, while that of FY2020 was attributable to net profit from the leasing of certain units of the Property and gain on acquisition of subsidiaries. The loss before taxation of the Target Group for 10M2021 amounted to approximately HK$871,000, which was mainly attributable to administrative expenses incurred from maintaining the Target Group and operating expenses incurred from maintaining the Property.

Total assets of the Target Group were approximately HK$10.0 million, HK$10.0 million, HK$762.2 million and HK$830.3 million as at 31 December 2018, 2019, 2020 and 31 October 2021 respectively, representing mainly the book value of the Property.

As at 31 December 2018, 2019 and 2020 and 31 October 2021, the Target Group had total liabilities of approximately HK$10.1 million, HK$10.0 million, HK$761.0 million and HK$830.0 million respectively, representing mainly an amount due to an intermediate holding company. The amount due to an intermediate holding company was unsecured, interest-bearing at the most recent average cost of capital of the lender and repayable on demand.

Information of the Property

The Property is a development site with a site area of approximately 7,420 square feet, and consists of the pieces or parcels of ground located in Sham Shui Po, Hong Kong comprising (1) Remaining Portion of New Kowloon Inland Lot No. 980, (2) the Remaining Portion of Sub Section 1 of Section A, (3) the Remaining Portion of Sub Section 4 of Section A, (4) the Remaining Portion of Sub Section 2 of Section A, (5) the Remaining Portion of Sub Section 3 of Section A, (6) the Remaining Portion of Sub Section 5 of Section A and (7) the Remaining Portion of Section A of New Kowloon Inland Lot No. 976, all together with the messuages erections and buildings thereon known as No. 221-233 Yee Kuk Street, Sham Shui Po, Hong Kong.

The above pieces of land are subject to the government leases which are deemed to have been granted under and by virtue of the Government Leases Ordinance (Chapter 40 of the Laws of Hong Kong) for a term commencing from 1 July 1898 until 30 June 2047. Based on existing government lease restriction, the Property can be redeveloped into a composite building which comprises residential units and retail units with a total gross floor area of approximately 62,606 square feet.

As mentioned in the Letter from the Board, certain employees of the Group through the co-investment scheme of the VPHK Group implemented in 2021 have made investments in the sum of approximately HK$439,000 in aggregate for the development of the Property and in return receive certain interest income.

According to the information of the proposed development scheme provided by the Company, the Property will be redeveloped into a single composite building which comprises residential units and retail units with a total gross floor area of approximately 62,606 square feet. The first two floors of the composite building to be built will be used as retail units with total gross floor area of approximately 6,956 square feet, while the remaining 55,650 square feet will be built for residential units. The Property is currently under demolition and ground investigation. As at the date of this Circular, the project of redeveloping the Property into a residential-based project is in its design phase. The construction work for the foundation is expected to commence in January 2022, and the Occupation Permit and Certificate of Compliance of the composite building are expected to be obtained in May 2024 and October 2024 respectively. With reference to the Letter from the Board, it is expected that sales of the residential units built on the Property will contribute income to the Group from the second half of 2024.

Reasons for and benefits of the Acquisition

With reference to the Letter from the Board, property development and property investment are the core business activities of the Group. The Group has been exploring opportunities to increase its scale and profitability with the aim of optimizing return for its Shareholders and is positive about the long-term prospect of the property market in Hong Kong. The Group intends to develop the Property into a residential-based project. The Board believes that the Acquisition represents an attractive investment opportunity to the Company and will increase the Group's overall competitiveness by broadening the Group's property portfolio and income base which is crucial amid increasing competition.

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

Further from the 2021 Interim Report, the Group holds four property development projects, two in the United States of America and the other two in Hong Kong. The Group's property development projects in Hong Kong include investment in the development of The Pavilia Bay and 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**"). Up to the date of the 2021 Interim Report, all units of The Pavilia Bay had been sold and over 99% of the sold units had been handed over to the buyers. The Chun Yeung Street Property was being redeveloped into a hospitality-related property and had not begun generating revenue for the Group during 1H2021. The development of Chun Yeung Street Property is expected to be completed in 2022. As such, the Acquisition offers an investment opportunity for the Group to pursue profitability in the long run.

For our due diligence purpose, we conducted research on the performance of the real estate market in Hong Kong. According to the statistics published by the Rating and Valuation Department (the "**RVD**"), the annual price index for private domestic properties in Hong Kong has increased from 182.1 for 2011 to 381.2 for 2020, representing a compound annual growth rate ("**CAGR**") of approximately 8.6%, whereas the annual rental and price index for private retail properties in Hong Kong has increased from 327.5 for 2011 to 518.9 for 2020, representing a CAGR of approximately 5.3%. The annual private non-domestic property market yields ranged from 2.4% to 3.0% from 2011-2020. The statistics from RVD above have shown a growing trend in property prices in Hong Kong for the past ten years in terms of both residential and retail properties.

2. Principal terms of the SPA

Summarised below are the principal terms of the SPA, details of which are set out under the section headed "MAJOR TERMS OF THE SPA" of the Letter from the Board.

Date

22 November 2021

Parties

(1) the Vendor, a wholly-owned subsidiary of VPHK; and

(2) the Purchaser, an indirect wholly-owned subsidiary of the Company

Assets to be acquired

Pursuant to the SPA, subject to the Conditions, the Purchaser has agreed to acquire, and the Vendor has agreed to sell, the Sale Share, representing the entire issued share capital in the Target Company; and the Vendor has agreed to assign to the Purchaser and the Purchaser has agreed to take the assignment of the Sale Loan, which amounted to approximately HK$826.8 million as at 31 October 2021.

Consideration

The Consideration for the sale and purchase of the Sale Share and the Sale Loan is approximately HK$852.9 million, in which the consideration of the Sale Loan shall be the outstanding amount of the Sale Loan as at the date of Completion and the consideration of the Sale Share shall be the Consideration less the consideration of the Sale Loan, subject to adjustment and payable as follows:

(a) approximately HK$42.6 million, representing approximately 5% of the Consideration, has been paid to the Vendor on 26 November 2021, which shall be refundable if the SPA is terminated;

(b) approximately HK$767.7 million, representing approximately 90% of the Consideration, to be paid in immediately available funds to the Vendor on Completion; and

(c) approximately HK$42.6 million, representing approximately 5% of the Consideration subject to the adjustments (the "**Retention Amount**") in immediately available funds on the day falling 5 Business Days after the date of determination of the consolidated net asset value of the Target Company as at the Completion Date (the "**Completion NAV**").

The Completion NAV will be determined on the basis of the value of the Property being fixed at HK$635.5 million (on a 100%-basis). The Completion NAV will be determined based on adding all the assets held by the Target Group, and subtracting all the payables and accrued liabilities (other than the Sale Loan), as at the Completion Date. We understand from the Management that they are aware of certain costs being capitalised which are necessary for the intended use of the Property as at 31 October 2021 as set out in Appendix III to the Circular.

If the Completion NAV is higher or lower than approximately HK$852.9 million, the Consideration (and the Retention Amount) shall be adjusted upward or downward (both subject to the maximum of the Retention Amount) accordingly based on the difference between the Completion NAV and the Consideration of approximately HK$852.9 million in each case, on a dollar-for-dollar basis. The Retention Amount (or part thereof) shall then be released to the Vendor or kept by the Purchaser (as the case may be).

The Parties expect that for the period from 1 November 2021 to the Completion Date, the Target Group will incur (i) minimal administrative expenses; (ii) interest from the Target Group's outstanding loans of approximately HK$2.0 million per month; and (iii) construction costs and professional fees in relation to the demolition, ground investigation and design of the Property (subject to the maximum of the capital commitments outstanding as at 31 October 2021). In addition, the Completion NAV will be determined on the basis of a fixed value of the Property. Accordingly, the Parties do not expect the Completion NAV to be adjusted by more than the Retention Amount. Therefore, the Company considers that the adjustment mechanism provided under the SPA is fair and reasonable.

The Consideration will be financed by the internal resources of the Company. With reference to the 2021 Interim Report, the Group's bank balances and cash amounted to approximately HK$659.7 million as at 30 June 2021. One of the Group's properties, Chun Yeung Street Property, which is free from encumbrances, can be used as security to raise funds and bring in additional cash resources to the Group as and when required. The Group also had an unutilized banking facility of approximately HK$546.7 million as at 30 June 2021. On the other hand, the Company expects that proceeds from a disposal by the Group will become available before the Completion Date. Thus, the Directors believe that the Group has enough internal resources to settle the Consideration.

Basis of determination of the Consideration

The Consideration is determined after arm's length negotiations between the Purchaser and the Vendor with reference to:

(1) the preliminary valuation of the Property of HK$635.5 million as at 31 October 2021;

(2) the consolidated net asset value of the Target Group of approximately HK$311,000 as at 31 October 2021; and

(3) the Sale Loan of approximately HK$826.8 million which the Target Group predominantly used for the costs of acquisition of the land which the Property is situated of approximately HK$609.8 million and costs of redevelopment of the Property incurred to date.

The valuation of the Property as at 31 October 2021 was carried out by Knight Frank, an independent qualified valuer. The Independent Valuer valued the Property by market approach.

Taking into account the basis of determination of the Consideration set out above, the Company considers that the Consideration is fair and reasonable.

3. Analysis on the Consideration

We note that the Consideration for the Sale Share and the Sale Loan of approximately HK$852.9 million, subject to adjustments, is equivalent to (i) the consolidated net asset value ("**NAV**") of the Target Group as at 31 October 2021, other than the Sale Loan, of approximately HK$827.2 million; and (ii) the increase in market value of the Property of approximately HK$25.7 million ("**Valuation Gain**") against the acquisition costs of the Property, for valuation of the Property being fixed at HK$635.5 million as at 31 October 2021, with reference to the accountants' report of the Target Group as set out in Appendix II to the Circular. The Management advised that adjustments on the Consideration would have to be made to reflect the latest consolidated NAV position, other than the Sale Loan, of the Target Group at Completion, being the Completion NAV. If the Completion NAV is higher or lower than HK$852.9 million, the Consideration (and the Retention Amount) shall be adjusted upward or downward (subject to the maximum sum of an equivalent amount of the Retention Amount) accordingly and, in each case, on a dollar-for-dollar basis.

We are of the view that the above adjustment mechanism is fair and reasonable as (i) the downward adjustment could reduce the Consideration as a result of lower Completion NAV, in the event that the Target Group incurs additional liabilities before Completion; and (ii) the maximum upward adjustment protects the Company from material deviation from the Consideration, for situations the Target Group increases its assets before Completion, and hence the Company's cashflow requirement for the Acquisition.

We note that the Board is aware of the Consideration being higher than the original acquisition cost of approximately HK$827.2 million incurred by the VPHK Group for acquiring the entire interest in the Target Company, and the entire shareholder's loan due from the Target Group (including transaction fees and stamp duty paid). Apart from the factors disclosed under the paragraph headed "Basis of determination of the Consideration" of the Letter from the Board, when determining the Consideration, the Board has further considered (i) the Valuation Gain; and (ii) the original acquisition cost of the Property incurred by VPHK Group was determined after arm's length negotiations between VPHK and the then vendor. Moreover, we consider that the original acquisition cost of the Property should not be the sole determining factor for the Consideration.

Valuation

The Company has appointed Knight Frank as the Independent Valuer to assess the market value of the Property held by the Target Group as at 31 October 2021. According to the Valuation Report, the market value of the Property in existing state as a development site was HK$635.5 million as at 31 October 2021. The full text of the Valuation Report is set out in Appendix V to the Circular.

For our due diligence purpose, we have reviewed and discussed with the Independent Valuer (i) the methodology bases and assumptions adopted; (ii) the steps and due diligence measures taken by the Independent Valuer; and (iii) details of the comparable transactions adopted for the valuation of the Property.

We have enquired with the Independent Valuer in respect of its qualifications, expertise and independence. The Independent Valuer confirmed that except for engagements for valuation of properties for the Group on individual basis with normal service fees received, and its engagement in respect of the valuation of the Property, it has no current or prior relationships with the Company and the Company's connected persons, and that the Independent Valuer confirmed they are independent to the Group, China Vanke, the Vendor and the Target Group. We have reviewed the terms of engagement of the Independent Valuer, paying particular attention to the appropriateness of the scope of work. Based on our review, we are not aware of any limitations on the scope of work which might adversely impact on the degree of assurance given by the Valuation Report. We have also reviewed the relevant track record and qualification of the Independent Valuer, and discussed with the Independent Valuer in respect of its relevant experience and work done. Based on the above, we consider the Independent Valuer has the required qualification and experience in performing the valuation.

We understand from the Independent Valuer that (i) market approach is a commonly adopted approach for valuation of the subject land; and (ii) such approach is commonly used to value assets where reliable comparable transactions of a similar nature are available. The Independent Valuer has also considered other generally accepted approaches, i.e., income approach and cost approach in arriving at the market value of the Property. However, the Independent Valuer considered that (i) cost approach is not an appropriate approach for valuing income generating assets; and (ii) income approach is not appropriate as it is not able to estimate the future economic benefits using reliable parameters and assumptions under the current development stage.

As (i) the Property is currently under demolition and ground investigation and is in its design stage of the redevelopment project; and (ii) it is expected that sales of residential units built on the Property will contribute income to the Group only from the second half of 2024, we are of the view that the future economic benefits of the Property and the cost of the redevelopment project may not be reliably estimated at this juncture and hence both income approach and cost approach may not be an ideal valuation method.

Given that (i) there are sufficient market transactions available for comparison which are in close proximity to the Property; (ii) the Independent Valuer advised and the results of our independent research showed that there were adoptions of market approach for valuation of properties by other listed companies in Hong Kong, which are common and are in line with market practice; and (iii) income approach and cost approach are not ideal valuation methods to value the Property (as mentioned earlier), we concur with the Independent Valuer's view that the adoption of market approach for the valuation of the Property is fair and reasonable. Therefore, we did not cross check the valuation of Property using other methodologies.

The Independent Valuer has made various assumptions for the valuation of the Property, including, *inter alia*, (i) the registered owners of the Property are the legal and beneficial owners; (ii) the planning and construction permits and approvals of the Property have been obtained; and (iii) the proposed development scheme is in compliance with the relevant planning and building ordinances and guidelines.

The Independent Valuer also advised that the valuation of the Property was carried out in accordance with The HKIS Valuation Standards 2020 issued by The Hong Kong Institute of Surveyors, The RICS Valuation – Global Standards 2020 issued by the Royal Institution of Chartered Surveyors, and the requirements as set out in Chapter 5 of the Listing Rules. We have discussed with the Independent Valuer and reviewed on the bases and assumptions adopted and nothing has come to our attention that would lead us to doubt the fairness and reasonableness of the principal bases and assumptions adopted in the Valuation Report.

In arriving at the appraised market value of the Property under the market approach, the Independent Valuer has made reference to recent transactions for properties similar in nature and in proximity to the Property ("**Comparable Properties**"). Adjustments have been considered for the differences in certain parameters, such as time, location, accessibility, view and size etc. between the Comparable Properties and the Property. We have reviewed the information source of the Comparable Properties and the relevant information from the Land Registry and Urban Renewal Authority in Hong Kong. Although the Comparable Properties are not identical to the Property, the Independent Valuer has advised that the adjustment factors applied are commonly adopted in the market for property valuation. Set out below are details of the Comparable Properties:

Address	Numbers 244–256 Hai Tan Street, Shum Shui Po, Kowloon	Numbers 7-9A Cheung Wah Street, Cheung Sha Wan, Kowloon	Numbers 24-38 Tokin Street, and numbers 240-244 Fuk Wing Street, Shum Shui Po, Kowloon
Transaction date	December 2020	April 2020	April 2020
Zoning	Residential (Group A)	Residential (Group A)	Residential (Group A)
Consideration (approximately HK$)	576,000,000	268,449,731	910,000,000
Site area (square feet)	7,495	2,160	11,517
Maximum total gross floor area (square feet)	57,000	19,440	104,087
Accommodation value (HK$/square foot)	10,105	13,809	8,743

In assessing the appropriateness of the three Comparable Properties, we have enquired with the Independent Valuer the basis of selecting the comparable properties and were given to understand that the key selection criteria are (i) the timing of the transactions; (ii) the locations of the Comparable Properties; and (iii) the nature of the Comparable Properties. Having considered that (i) the Comparable Properties are relating to residential sites which are similar to the use of the Property; (ii) the Comparable Properties were all transacted within the past two years; (iii) the Comparable Properties are all located within Sham Shui Po District, which are in a close proximity to the Property; and (iv) other comparable properties identified by the Independent Valuer deviate from the relevant selection criteria to a larger degree, we are therefore of the view that the current selection of the Comparable Properties is sufficient, reasonable and appropriate. The Independent Valuer advised us that with closer features shared between the Comparable Properties and the Property, fewer adjustments would be necessary for valuation of the Property. The consideration for the Comparable Properties ranges from approximately HK$8,743 per square foot to HK$13,809 per square foot. While the consideration for the Property of approximately HK$10,151 per square foot lies within the range of those of the Comparable Properties, we consider the valuation of the Property is a fair and reasonable reference for the determination of the Consideration.

Having considered that we have interviewed the Independent Valuer, reviewed and assessed (i) the terms of engagement of the Independent Valuer with the Company; (ii) the qualifications, experience and independence of the Independent Valuer in relation to the preparation of the Valuation Report; (iii) the steps and due diligence measures taken by the Independent Valuer for conducting the valuation; (iv) the methodology used by the Independent Valuer for the valuation is fair and reasonable; (v) the selection of Comparable Properties is appropriate; and (vi) the consideration for the Property lying within the range of those of the Comparable Properties, we consider that the valuation of the Property is fair and reasonable.

Shareholders should note that valuation of properties usually involves assumptions and therefore the valuation of the Property may or may not reflect the true market value of the Property accurately.

4. Financial effects of the Acquisition

Upon Completion, each member of the Target Group will become an indirect wholly-owned subsidiary of the Company and their financial results, assets and liabilities will be consolidated into the financial statements of the Company.

NAV

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to the Circular, assuming the Acquisition had been completed on 30 June 2021, the unaudited pro forma consolidated total assets and total liabilities of the Enlarged Group would be increased to approximately HK$6,074.0 million and HK$1,927.3 million, respectively, and the unaudited NAV of the Enlarged Group would be slightly deceased to approximately HK$4,146.7 million.

Earnings

Based on the financial information of the Target Group as set out in Appendix II to the Circular, the loss before taxation of the Target Group for 10M2021 was approximately HK$871,000. Since the Target Group is principally engaged in holding the Property which is yet to be developed, the Acquisition will not have any immediate material impact on the earnings of the Group, assuming the Acquisition had been completed on 30 June 2021.

Cashflow

The Consideration of approximately HK$852.9 million (subject to adjustments) will be satisfied by internal resources of the Company. Taking into account (i) the Group's bank balances and cash amounted to approximately HK$659.7 million as at 30 June 2021; (ii) one of the Group's properties, Chun Yeung Street Property, which is free from encumbrances, can be used as security to raise funds and bring in additional cash resources to the Group as and when required; and (iii) the Group has an unutilized banking facility of approximately HK$546.7 million as at 30 June 2021, the Directors believe that the Group has sufficient financial resources to satisfy the payment of the Consideration and will have sufficient working capital to meet its requirements for its normal business for at least 12 months from the date of the Circular.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Enlarged Group will be upon Completion.

RECOMMENDATION

Having considered all the principal factors and reasons as discussed above, including among others, those set out in the paragraph headed "Reasons for and benefits of the Acquisition", in particular, (i) property development is one of the principal operating segments of the Group; (ii) the Acquisition is in line with the Group's strategies for development and expansion; (iii) the Acquisition offers an investment opportunity for the Group to pursue profitability in the long run; and (iv) the statistics from RVD have shown a growing trend in property prices in Hong Kong for the past ten years in terms of both residential and retail properties, as well as our analysis on the Consideration as set out in the section headed "Analysis on the Consideration", we are of the view that the terms of the SPA are on normal commercial terms and are fair and reasonable, and the Acquisition is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group.

Accordingly, we recommend that the Independent Board Committee advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Acquisition.

Yours faithfully,
For and on behalf of
ASIAN CAPITAL LIMITED
Joseph Lam
Executive Director

Mr. Joseph Lam is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Asian Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities. He has over ten years of experience in the corporate finance industry.

1. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The consolidated financial statements of the Group, together with the accompanying notes, for each of the three years ended 31 December 2018, 2019 and 2020 and financial information of the Group for the six months ended 30 June 2021 are disclosed in the annual reports and the interim report of the Company for the financial years ended 31 December 2018, 31 December 2019, 31 December 2020, and six months ended 30 June 2021, respectively, and are incorporated by reference into this circular.

The said annual reports and interim report of the Company are available on the Company's website at www.vankeoverseas.com and website of the Stock Exchange at www.hkexnews.hk through the links below:

For the financial year ended 31 December 2018 (pages 44 to 88)
https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0426/ltn201904262487.pdf

For the financial year ended 31 December 2019 (pages 50 to 102)
https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0420/2020042000227.pdf

For the financial year ended 31 December 2020 (pages 45 to 98)
https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0422/2021042200027.pdf

For the six months ended 30 June 2021 (pages 9 to 24)
https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0921/2021092100009.pdf

2. INDEBTEDNESS STATEMENT

As at 30 November 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding indebtedness of approximately HK$2,034.9 million, consisting of (i) secured bank loans of approximately HK$1,192.0 million; (ii) unsecured and unguaranteed lease liabilities of approximately HK$58.3 million; and (iii) unsecured and unguaranteed loan from an intermediate holding company of approximately HK$784.6 million.

The secured bank loans were secured by (i) floating charge over all the assets of Lithium Real Estate (Jersey) Limited, a subsidiary which holds Ryder Court; (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 of the Company which hold the Regent Centre property of the Group; (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. The secured bank loan in relation to Regent Centre of approximately HK$436.1 million is guaranteed by the Company. The secured bank loan in relation to Ryder Court of approximately HK$755.9 million is unguaranteed.

Save as disclosed above and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have, as at 30 November 2021, any mortgages, charges, debt securities issued and outstanding, and authorised or otherwise created but unissued, outstanding borrowings or indebtedness in the nature of borrowings including term loans, bank overdrafts, liabilities under acceptances, acceptance credits, hire purchase commitments or other similar indebtedness, or any guarantees or other material contingent liabilities.

3. MATERIAL ADVERSE CHANGE

The Directors confirmed that there were no material adverse changes in the financial or trading position or prospects of the Group since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group had been made up) up to the Latest Practicable Date.

4. WORKING CAPITAL STATEMENT

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the financial resources presently available to the Enlarged Group, including the internally generated funds, the existing borrowings, the currently available facilities, and the effects of the proposed Acquisition, and in the absence of unforeseen circumstances, the Enlarged Group has sufficient working capital for its normal business for at least the next twelve months from the date of this circular. The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

5. FINANCIAL AND TRADING PROSPECTS

As mentioned in the Company's 2021 interim report, the year 2021 has been and is filled with uncertainties 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 various vaccines have been approved one after another and such 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 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 about the Hong Kong property prices and transacted prices for residential properties continued to be high. It is expected that the market sentiment continues to be upbeat due to 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, the Group needs to be more devoted, more determined, more vigilant and more robust. Notwithstanding the uncertainties having brought a certain level of impact on the markets in which the Group operates, the Group is currently financially healthy to deal with 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.

Looking to the future, 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 addition, the Group's investment instruments and asset management business are expected to generate stable revenue and profits. In addition, the Group is still hopeful that together we can weather this storm and overcome the latest challenges brought upon by the pandemic.

Going forward, the Enlarged Group will closely monitor its business of asset management, property development and property investment, and at the same time continue to seek other investment opportunities in Hong Kong and the overseas property markets with an aim to adhere to the abovementioned strategy and maximising the returns to the Shareholders.

Furthermore, it is expected that the Enlarged Group will be able to record revenue from sales of the apartment to be developed on the Property from the second half of 2024.

The following is the text of a report set out on pages II-1 to II-26, received from the Company's reporting accountant, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF ENIGMA COMPANY LIMITED TO THE DIRECTORS OF VANKE OVERSEAS INVESTMENT HOLDING COMPANY LIMITED

We report on the historical financial information of Enigma Company Limited (the "**Target Company**") and its subsidiaries (together, the "**Target Group**") set out on pages II-4 to II-26, which comprises the consolidated statements of financial position of the Target Group as at 31 December 2018, 2019 and 2020 and 31 October 2021 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended 31 December 2018, 2019 and 2020, and the ten months ended 31 October 2021 (the "**Relevant Periods**"), and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-4 to II-26 forms an integral part of this report, which has been prepared for inclusion in the circular of Vanke Overseas Investment Holding Company Limited (the "**Company**") dated 31 December 2021 (the "**Circular**") in connection with the proposed acquisition of the Target Company by the Company.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

The Underlying Financial Statements of the Target Group as defined on page II-4, on which the Historical Financial Information is based, were prepared by the directors of the Target Company. The directors of the Target Company are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Underlying Financial Statements that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Target Group's financial position as at 31 December 2018, 2019 and 2020 and 31 October 2021 and of the Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Target Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statements for the ten months ended 31 October 2020 and other explanatory information (the "**Stub Period Corresponding Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our 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 HKICPA. A review 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. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
31 December 2021

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG under separate terms of engagement with the Target Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Hong Kong dollars)

	Note	**For the year ended 31 December**			**For the ten months ended 31 October**	
		2018	**2019**	**2020**	**2020**	**2021**
		$'000	*$'000*	*$'000*	*$'000*	*$'000*
					(unaudited)	
Other income	*3(a)*	–	–	1,848	313	74
Other net gain/(loss)	*3(b)*	–	52	195	(703)	–
Administrative and other operating expenses		(52)	–	(640)	(178)	(945)
Operating (loss)/profit		(52)	52	1,403	(568)	(871)
Finance cost	*4(a)*	–	–	–	–	–
(Loss)/profit before taxation	*4*	(52)	52	1,403	(568)	(871)
Income tax	*5(a)*	–	–	(201)	(22)	–
(Loss)/profit and total comprehensive income for the year/period		(52)	52	1,202	(590)	(871)

The notes on pages II-10 to II-26 form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Hong Kong dollars)

	Note	At 31 December			At 31 October
		2018	**2019**	**2020**	**2021**
		$'000	*$'000*	*$'000*	*$'000*
Current assets					
Properties under development	*7*	–	–	650,477	693,953
Other receivables	*8*	10,000	10,000	110,643	125,938
Amount due from a fellow subsidiary	*11*	–	–	15	14
Bank balances		–	–	1,030	10,435
		10,000	10,000	762,165	830,340
Current liabilities					
Other payables	*10*	–	–	(458)	(2,978)
Amount due to an intermediate holding company	*11*	(10,072)	(10,020)	(760,279)	(826,805)
Tax payable		–	–	(246)	(246)
		(10,072)	(10,020)	(760,983)	(830,029)
NET (LIABILITIES)/ ASSETS		(72)	(20)	1,182	311
CAPITAL AND RESERVE					
Share capital	*12(b)*	–*	–*	–*	–*
(Accumulated losses)/ retained profits		(72)	(20)	1,182	311
TOTAL (DEFICIT)/EQUITY		(72)	(20)	1,182	311

* Represent amount of less than $1,000

The notes on pages II-10 to II-26 form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Hong Kong dollars)

	Share capital	(Accumulated losses)/ retained profits	Total
	$'000	*$'000*	*$'000*
At 1 January 2018	–*	(20)	(20)
Change in equity for the year:			
Loss and total comprehensive income for the year	–	(52)	(52)
At 31 December 2018 and 1 January 2019	–*	(72)	(72)
Change in equity for the year:			
Profit and total comprehensive income for the year	–	52	52
At 31 December 2019 and 1 January 2020	–*	(20)	(20)
Change in equity for the year:			
Profit and total comprehensive income for the year	–	1,202	1,202
At 31 December 2020 and 1 January 2021	–*	1,182	1,182
Change in equity for the period:			
Loss and total comprehensive income for the period	–	(871)	(871)
At 31 October 2021	–*	311	311

	Share capital	Accumulated losses	Total deficit
	$'000	*$'000*	*$'000*
(Unaudited)			
At 1 January 2020	–*	(20)	(20)
Change in equity for the period:			
Loss and total comprehensive income for the period	–	(590)	(590)
At 31 October 2020	–*	(610)	(610)

* *Represent amount of less than $1,000*

The notes on pages II-10 to II-26 form part of the Historical Financial Information.

CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in Hong Kong dollars)

	Note	**For the year ended 31 December 2020** *$'000*	**For the ten months ended 31 October 2020** *$'000* (unaudited)	**2021** *$'000*
Operating activities				
Profit/(loss) before taxation		1,403	(568)	(871)
Adjustments for:				
(Gain)/loss on acquisition of subsidiaries	*3(b)*	(195)	703	–
Operating profit/(loss) before working capital changes		1,208	135	(871)
Decrease/(increase) in other receivables		3,911	6,097	(15,295)
Payments for additions of properties under development		(39,789)	(39,019)	(24,170)
(Increase)/decrease in amount due from a fellow subsidiary		(15)	–	1
Increase in other payables		277	557	2,520
Decrease in amounts due to fellow subsidiaries		–	(38)	–
Net cash used in operating activities		(34,408)	(32,268)	(37,815)
Investing activity				
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	*16*	247	247	–
Net cash generated from investing activity		247	247	–

	Note	For the year ended 31 December 2020 $'000	For the ten months ended 31 October 2020 $'000 (unaudited)	2021 $'000
Financing activity				
Increase in amount due to an intermediate holding company	*9(a)*	35,191	32,824	47,220
Net cash generated from financing activity		35,191	32,824	47,220
Net increase in cash and cash equivalents		1,030	803	9,405
Cash and cash equivalents at the beginning of the year/period		–	–	1,030
Cash and cash equivalents at the end of the year/period		1,030	803	10,435
Analysis of balance of cash and cash equivalents at 31 December/ 31 October				
Bank balances		1,030	803	10,435

The notes on pages II-10 to II-26 form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Basis of preparation and presentation of Historical Financial Information

Enigma Company Limited (the "**Target Company**") was incorporated in the British Virgin Islands ("**BVI**") on 26 August 2015 as an exempted company with limited liability under BVI Business Companies ACT 2004. The registered office of the Target company is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

The Target Company is an investment holding company. The Target Company has not carried on any business since the date of its incorporation. The Target Company and its subsidiaries (together, the "**Target Group**") are principally engaged in properties development.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board ("**IASB**"). As Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), and accounting principles generally accepted in Hong Kong, are derived from and consistent with IFRSs, these Historical Financial Information also comply with HKFRSs. The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Further details of the significant accounting policies adopted are set out in note 2.

The IASB has issued a number of new and revised IFRSs that are first effective or available for early adoption for the Relevant Periods of the Target 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 IASB and are in all material aspects identical to the pronouncements issued by IASB. For the purpose of preparing this Historical Financial Information, the Target Group has adopted all applicable new and revised IFRSs and HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning on or after 1 January 2021. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning 1 January 2021 are set out in note 18.

The accounting policies set out below have been applied consistently to the Relevant Periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

As at the date of this report, no audited financial statements have been prepared for Target Company it is not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation. The financial statements of the subsidiaries of the Target Group for which there are statutory requirements were prepared in accordance with HKFRSs or the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated.

As at the end of each reporting period, the Target Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

Company name	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by the subsidiary	Principal activities	Name of statutory auditor
Amber Shine Limited	BVI 23 March 2018	US$1	100%	–	Properties development	Fan, Chan & Co
Lanada (BVI) Company Limited	BVI 14 June 2018	US$1	100%	–	Properties development	Fan, Chan & Co
Abacus Win Limited*	Hong Kong 27 October 2015	$1	–	100%	Inactive	Fan, Chan & Co
Astaria Garden Limited*	Hong Kong 18 May 2016	$1	–	100%	Inactive	Fan, Chan & Co
Cocova (HK) Company Limited*	Hong Kong 3 July 2018	$1	–	100%	Inactive	Fan, Chan & Co
Le Pont Property Management Company Limited#	Hong Kong 9 August 2018	$1	100%	–	Inactive	Fan, Chan & Co

* These subsidiaries were disposed of on 3 November 2020

\# This subsidiary was disposed of on 27 February 2019

All companies now comprising the Target Group have adopted 31 December as their financial year end date.

2 Significant accounting policies

(a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis.

(b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with IFRSs and HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Subsidiaries

Subsidiaries are entities controlled by the Target Group. The Target Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the group has power, only substantive rights (held by the Target Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Where a property is acquired, via corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business.

The Target Group accounts for an acquisition as business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made of the extent to which significant processes are acquired (e.g. maintenance and serviced residence operations, etc.). When acquisition of an asset or a group of assets does not constitute a business combination, it is treated as property acquisition. In such cases, the individual identifiable assets acquired and liabilities assumed are recognised. The acquisition cost shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of acquisition.

When the Target Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Target's company-level statement of financial position, its investments in subsidiaries are stated at cost less impairment losses (see note 2(f)(ii)), unless the investment is classified as held for sale.

(d) Properties under development

Properties under development are carried at the lower of cost and net realisable value. The cost of properties under development comprises specifically identified cost, including the acquisition cost of interests in freehold and leasehold land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 2(m)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

When properties under development are sold, the carrying amount of those properties under development is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of properties under development to net realisable value and all losses of properties under development are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of properties under development is recognised as a reduction in the amount of properties under development recognised as an expense in the period in which the reversal occurs.

(e) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Target Group's accounting policy for borrowing costs (see note 2(m)).

(f) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Target Group recognises a loss allowance for expected credit losses ("**ECLs**") on financial assets measured at amortised cost (including cash and cash equivalents and other receivables).

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls.

For all financial instruments, the Target Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Target Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the interests in subsidiaries in the Target Company's statement of financial position may be impaired or, an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset.

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount.

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(g) Receivables

A receivable is recognised when the Target Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. Receivables are stated at amortised cost using the effective interest method, less allowance for credit losses (see note 2(f)(i)).

(h) Payables

Other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 2(f)(i).

(j) Income tax

Income tax for the Relevant Periods comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the Relevant Periods, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years/periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

(k) Provisions and contingent liabilities

Provisions are recognised when the Target Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(l) Other income

Rental income is recognised when the lessee has the right to use the assets, at the amount of promised consideration to which the Target Group is expected to be entitled, excluding those amounts collected on behalf of third parties.

Further details of the Target Group's rental income from operating leases recognition policy are as follows:

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

(m) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(n) Related parties

(a) A person, or a close member of that person's family, is related to the Target Group if that person:

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or the Target Group's parent.

(b) An entity is related to the Target Group if any of the following conditions applies:

(i) The entity and the Target Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the Target Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(o) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Target Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Target Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Other income, other net gain/(loss) and segment information

3(a) Other income

	For the year ended 31 December			For the ten months ended 31 October	
	2018	**2019**	**2020**	**2020**	**2021**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
				(Unaudited)	
Rental income *(Note)*	–	–	1,848	313	74

Note: The rental income is earned from sitting tenants of properties held for development and not held for long-term investment purpose.

3(b) Other net gain/(loss)

	For the year ended 31 December			For the ten months ended 31 October	
	2018	**2019**	**2020**	**2020**	**2021**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
				(Unaudited)	
Gain on disposal of a subsidiary	–	52	–	–	–
Gain/(loss) on acquisition of subsidiaries	–	–	195	(703)	–
	–	52	195	(703)	–

Target Group's principal activity is holding the properties in Hong Kong for development. Therefore, management considers there to be only one operating segment under the requirements of HKFRS 8, *Operating Segments*.

4 (Loss)/profit before taxation

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

	For the year ended 31 December			For the ten months ended 31 October	
	2018	**2019**	**2020**	**2020**	**2021**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
				(Unaudited)	
(a) Finance costs					
Interest expense on amount due to an intermediate holding company	–	–	9,716	5,920	19,306
Less: Interest expenses capitalised into properties under development *(note)*	–	–	(9,716)	(5,920)	(19,306)
	–	–	–	–	–
(b) Other items					
Auditors' remuneration	–	–	80	67	67
Rental income from properties under development	–	–	(1,848)	(313)	(74)
Less: direct outgoings	–	–	478	38	374
	–	–	(1,370)	(275)	300

Note: The borrowing costs have been capitalised at 3.07%-4.12% and 3.07%-4.12% (unaudited) and 2.97%-3.09% per annum for the year ended 31 December 2020, the ten months ended 31 October 2020 and 2021, respectively.

5 Income tax

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income

	For the year ended 31 December			For the ten months ended 31 October	
	2018	**2019**	**2020**	**2020**	**2021**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
				(Unaudited)	
Current tax — Hong Kong Profits Tax					
Provision for the Relevant Periods	–	–	201	22	–

Pursuant to the rules and regulations of the BVI, the Target Group is not subject to any income tax in the BVI.

No provision has been made for Hong Kong Profits Tax as the Target Group has no assessable profits arising in or derived from Hong Kong for the years ended 31 December 2018 and 2019 and the ten months ended 31 October 2021.

The provision for Hong Kong Profits Tax for the year ended 31 December 2020 and the ten months ended 31 October 2020 is calculated at 16.5% of the estimated assessable profits for the Relevant Periods.

(b) Reconciliation between tax expense and (loss)/profit before taxation at an applicable tax rate:

	For the year ended 31 December			For the ten months ended 31 October	
	2018	**2019**	**2020**	**2020**	**2021**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
				(Unaudited)	
(Loss)/profit before taxation	(52)	52	1,403	(568)	(871)
Notional tax on (loss)/profit before taxation calculated at 16.5%	(9)	9	231	(94)	(144)
Tax effect of non-taxable income	–	(9)	(32)	–	–
Tax effect of non-deductible expenses	9	–	2	116	–
Tax effect of tax losses not recognised	–	–	–	–	144
Tax expense	–	–	201	22	–

(c) Deferred tax assets not recognised:

The Target Group has not recognised deferred tax assets of $144,000 in respect of accumulated tax losses of $871,000 for as at 31 October 2021 as the availability of future taxable profits against which the assets can be utilised is uncertain at the period end. The tax losses do not expire under current tax legislation.

There are no deferred tax assets not recognised for the years ended 31 December 2018, 2019 and 2020 and the ten months ended 31 October 2020.

6 Directors' emoluments

During the Relevant Periods, no fees, salaries, allowances and other benefits, performance related bonuses, and provident fund contributions were paid/payable to the directors of the Target Company.

7 Properties under development

	At 31 December			At 31 October
	2018	**2019**	**2020**	**2021**
	$'000	*$'000*	*$'000*	*$'000*
Properties under development for sales	–	–	650,477	693,953

The properties are located in Nos 221-233 Yee Kuk Street, Sham Shui Po, Kowloon, Hong Kong, with remaining lease term of:

	At 31 December			At 31 October
	2018	**2019**	**2020**	**2021**
	$'000	*$'000*	*$'000*	*$'000*
– between 10 and 50 years	–	–	650,477	693,953

8 Other receivables

	At 31 December			At 31 October
	2018	**2019**	**2020**	**2021**
	$'000	*$'000*	*$'000*	*$'000*
Refundable stamp duty *(note)*	–	–	108,433	111,230
Deposit for acquisition of properties	–	–	1,196	13,158
Tender deposit	10,000	10,000	–	–
Others	–	–	1,014	1,550
	10,000	10,000	110,643	125,938

Note: The balance represents the payment of buyers' stamp duty for properties acquired for development and is expected to be refunded by the Government of Hong Kong Special Administrative Region within one year.

9 Other cash flow information

(a) *Reconciliation of liabilities arising from financing activities:*

The table below details changes in the Target Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the consolidated cash flow statement as cash flows from financing activities.

	Amount due to an intermediate holding company *(note 11)* *$'000*
At 1 January 2020	10,020
Change from financing cash flows:	
Increase in amount due to an intermediate holding company	35,191
Total change from financing cash flows	35,191
Other changes:	
Interest expenses *(note 4(a))*	9,716
Acquisition of subsidiaries *(note 16)*	705,352
Total other changes	715,068
At 31 December 2020 and 1 January 2021	760,279
Change from financing cash flows:	
Increase in amount due to an intermediate holding company	47,220
Total change from financing cash flows	47,220
Other change:	
Interest expenses *(note 4(a))*	19,306
Total other change	19,306
At 31 October 2021	826,805

	Amount due to an intermediate holding company *(note 11)* *$'000*
(Unaudited)	
At 1 January 2020	10,020
Change from financing cash flows:	
Increase in amount due to an intermediate holding company	32,824
Total change from financing cash flows	32,824
Other changes:	
Interest expenses *(note 4(a))*	5,920
Acquisition of subsidiaries *(note 16)*	706,190
Total other changes	712,110
At 31 October 2020	754,954

(b) A consolidated cash flow statement has not been prepared for the years ended 31 December 2018 and 2019 because the Target Group did not have any cash flows during the years ended 31 December 2018 and 2019 nor it have any cash or cash equivalents at any point throughout the years.

The cash flows for the year ended 31 December 2018 and 2019 which have resulted from the operations of the Target Group were all paid by the intermediate holding company, and the amounts involved have been accounted for amount due to an intermediate holding company.

10 Other payables

	At 31 December			At 31 October
	2018	**2019**	**2020**	**2021**
	$'000	*$'000*	*$'000*	*$'000*
Other payables	–	–	–	953
Accruals	–	–	80	1,751
Deposits	–	–	378	274
	–	–	458	2,978

All other payables are expected to be repayable within one year.

11 Amounts due from/(to) a fellow subsidiary and an intermediate holding company

Amount due from a fellow subsidiary is unsecured, interest-free and recoverable on demand.

Amount due to an intermediate holding company is unsecured and repayable on demand. The balances of HK$10,072,000, HK$10,020,000, HK$25,177,000 and HK$44,044,000 at 31 December 2018, 2019, 2020 and 31 October 2021 are interest-free, while the balances of HK$735,102,000 and HK$782,761,000 at 31 December 2020 and 31 October 2021 are interest-bearing at the most recent average cost of capital of the lender.

12 Capital and reserve

(a) Movements in component of equity

The reconciliation between the opening and closing balances of each component of the Target Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Target Company's equity between the beginning and the end of the period/year are set out below:

	Share capital	Accumulated losses	Total
	$'000	*$'000*	*$'000*
At 1 January 2018	–*	(20)	(20)
Changes in equity for the year:			
Loss and total comprehensive income for the year	–	–	–
At 31 December 2018 and 1 January 2019	–*	(20)	(20)
Changes in equity for the year:			
Loss and total comprehensive income for the year	–	–	–
At 31 December 2019 and 1 January 2020	–*	(20)	(20)
Changes in equity for the year:			
Loss and total comprehensive income for the year	–	(10)	(10)
At 31 December 2020 and 1 January 2021	–*	(30)	(30)
Changes in equity for the period:			
Loss and total comprehensive income for the period	–	–	–
At 31 October 2021	–*	(30)	(30)

	Share capital	Accumulated losses	Total
	$'000	*$'000*	*$'000*
(Unaudited)			
At 1 January 2020	–*	(20)	(20)
Changes in equity for the period:			
Loss and total comprehensive income for the period	–	–	–
At 31 October 2020	–*	(20)	(20)

(b) Share capital

The Target Company is authorised to issue a maximum of 50,000 shares of US$1 par value.

	No. of share	Amount	Equivalent to
		US$	*$*
Issued and fully paid:			
At 31 December 2018, 1 January 2019, 31 December 2019, 1 January 2020, 31 December 2020, 1 January 2021 and 31 October 2021	1	1	8

(c) Capital management

The Target Group's primary objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits of other stakeholders.

The Target Group defines "capital" as including all components of equity. Trading balances that arise as a result of trading transactions with other group companies are not regarded by the Target Group as capital.

The Target Group's capital structure is regularly reviewed and managed with due regard to the capital management practices of the group to which the Target Group belongs. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Target or the Target Group, to the extent that these do not conflict with the directors' fiduciary duties towards the Target Group. The results of the directors' review of the Target Group's capital structure are used as a basis for the determination of the level of dividends, if any, that are declared. The Target Group's overall strategy remains unchanged throughout the Relevant Periods.

The Target Group was not subject to externally imposed capital requirements during the Relevant Periods.

13 Financial risk management and fair values

The Target Group is exposed to credit risk, liquidity risk and interest rate risk which arises in the normal course of the Target Group's business as set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner and these risks are limited by the financial policies and practices undertaken by the Target Group.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Target Group. The Target Group's credit risk is primarily attributable to other receivables, amount due from a fellow subsidiary and bank balances.

The Target Group's exposure to credit risk arising from bank balances is limited because the counterparties are major financial institution in Hong Kong, for which the Target Group considers to have a low credit risk.

Other receivables and amount due from a fellow subsidiary are reviewed at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

(b) Liquidity risk

The Target Group's policy is to regularly monitor its liquidity requirements. The earliest settlement dates of the Target Group's financial liabilities at the end of the reporting period are all within one year or on demand and the contractual amounts of the financial liabilities are all equal to their carrying amounts.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Target Group's interest rate risk arises primarily from amount due to an intermediate holding company. Borrowings issued at variable rates expose the Target Group to cash flow interest rate risk. The Target Group's interest rate profile as monitored by management is set out in note 11.

Sensitivity analysis

At 31 December 2020 and 31 October 2021, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have no impact on the Target Group's profit/(loss) after tax and retained profits as all interest expenses would have been capitalised into properties under development during the Relevant Periods.

The sensitivity analysis above indicates the annualised impact on the Target Group's interest expense that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to floating rate instruments which expose the Target Group to cash flow interest rate risk at that date.

(d) Fair values

The carrying amounts of the Target Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values at 31 December 2018, 2019 and 2020, and 31 October 2021.

14 Commitments

Capital commitments outstanding at 31 December 2018, 2019 and 2020, and 31 October 2021 not provided for in the Historical Financial Information were as follows:

	At 31 December			At 31 October
	2018	**2019**	**2020**	**2021**
	$'000	*$'000*	*$'000*	*$'000*
Contracted for	–	–	–	13,997

15 Material related party transactions

Apart from the transactions/balances disclosed elsewhere in the Historical Financial Information, the Target Group did not enter into any other material related party transactions during the Relevant Periods.

16 Acquisition of subsidiaries

On 1 July 2020, the Target Company acquired 100% of the issued share capital of Amber Shine Limited and Lanada (BVI) Company Limited from an intermediate holding company at a consideration of US$2.

(i) Identifiable assets-acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	Amber Shine Limited	**Lanada (BVI) Company Limited**	**Sub-total**	**Others (note)**	**Total**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Properties under development	65,580	535,392	600,972	–	600,972
Other receivables	7,426	97,128	104,554	–	104,554
Bank balances	–	247	247	–	247
Other payables	–	(181)	(181)	(22)	(203)
Amount due to an intermediate holding company	(71,803)	(633,549)	(705,352)	(838)	(706,190)
Amount due (to)/from a fellow subsidiary	(1,221)	1,221	–	(38)	(38)
Tax payables	–	(45)	(45)	–	(45)
Net identifiable assets acquired	(18)	213	195	(898)	(703)

Note: Others represent the financial information of certain subsidiaries of the Target Group being disposed of before 31 December 2020.

(ii) Analysis of net cash inflow in respect of the acquisition of subsidiaries

	$'000
Inflow of cash to acquire subsidiaries, net of cash acquired	
Balances acquired	247
Less: Cash consideration	–
Net cash in respect of acquisition of subsidiaries	247

17 Company-level statements of financial position

	Note	At 31 December			At 31 October
		2018	**2019**	**2020**	**2021**
		$'000	*$'000*	*$'000*	*$'000*
Non-current asset					
Investments in subsidiaries		–*	–	–*	–*
Current asset					
Other receivables		10,000	10,000	–	–*
Current liabilities					
Other payables		–	–	(10)	(10)
Amount due to an intermediate holding company		(10,020)	(10,020)	(20)	(20)
		(10,020)	(10,020)	(30)	(30)
Net current liabilities		(20)	(20)	(30)	(30)
NET LIABILITIES		(20)	(20)	(30)	(30)
CAPITAL AND RESERVE	*12*				
Share capital		–*	–*	–*	–*
Accumulated losses		(20)	(20)	(30)	(30)
TOTAL DEFICIT		(20)	(20)	(30)	(30)

* *Represent amount of less than $1,000*

18 Possible impact of amendments, new standards and interpretations issued but not yet effective for the Relevant Periods

Up to the date of issue of this Historical Financial Information, the IASB/HKICPA has issued a number of amendments and a new standard, IFRS/HKFRS 17, *Insurance contracts*, which are not yet effective for the Relevant Periods and which have not been adopted in the Historical Financial Information.

	Effective for accounting periods beginning on or after
Amendments to IFRS/HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS/HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to IAS/HKAS 37, *Onerous Contracts — Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to IFRSs/HKFRSs 2018-2020 Cycle	1 January 2022
Amendments to IAS/HKAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to IAS/HKAS 1 and IFRS/HKFRS Practice Statement 2, *Disclosure of accounting policies*	1 January 2023
Amendments to IAS/HKAS 8, *Definition of accounting estimates*	1 January 2023
Amendments to IAS/HKAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

The Target Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Historical Finance Information.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company or any of its subsidiaries in respect of any period subsequent to 31 October 2021.

Set out below is the management discussion and analysis of the Target Group for the three financial years ended 31 December, 2018, 2019 and 2020, and ten months ended 31 October 2021 (the "**Relevant Period**").

BUSINESS REVIEW

The Target Company is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. The Target Company had inactive subsidiaries which ceased to be subsidiaries of the Target Group during the financial years ended 31 December 2018, 2019 and 2020 respectively. As at the Latest Practicable Date, the Target Group consists of the Target Company, Amber Shine Limited and Lanada (BVI) Company Limited. The two subsidiaries of the Target Company, Amber Shine Limited and Lanada (BVI) Company Limited, are companies incorporated in the British Virgin Islands with limited liability and are principally engaged in property development. The Target Company through the subsidiaries namely, Amber Shine Limited and Lanada (BVI) Company Limited, indirectly owns the Property.

FINANCIAL REVIEW

The financial information of the Target Group as extracted from the Accountant's Report in Appendix II to this circular is set out below:

Segmental information

The Target Group operated in one single segment which is property development in Hong Kong. In this regard, no segmental information is presented.

Revenue

The Target Group is principally engaged in property development and has not generated any revenue during the financial years ended 31 December, 2018, 2019 and 2020, and ten months ended 31 October 2021.

Profit/(loss) for the period/year

The Target Group recorded loss before taxation of approximately HK$52,000 for the financial year ended 31 December 2018, profits before taxation of approximately HK$52,000 and HK$1,403,000 for the financial years ended 31 December 2019 and 2020, and loss before taxation of approximately HK$871,000 for the ten months ended 31 October 2021. The loss before taxation for the financial year ended 31 December 2018 comprised administrative expenses incurred from maintaining the Target Company's former subsidiary. The profit for the financial year ended 31 December 2019 was attributable to the gain on disposal of a subsidiary. The profit for the financial year ended 31 December 2020 was attributable to net profit from the leasing of certain units of the Property and gain on acquisition of subsidiaries. The loss for the ten months ended 31 October 2021 was mainly attributable to administrative expenses incurred from maintaining the Target Group and operating expenses incurred from maintaining the Property.

Property valuation

The reconciliation items between the net book value of the Property as at 31 October 2021 as extracted from the Accountants' Report of the Target Group in Appendix II to this circular and the fair value of the Property as at 31 October 2021 as extracted from the property valuation report set out in Appendix V to this circular mainly represented (i) the increase in market value of the Property of HK$26 million; (ii) additions to the Property including transaction costs for the acquisition of the Property of HK$40 million; and (iii) finance costs capitalised of HK$44 million.

Liquidity, financial resources and capital structure

As the Target Company was set up for the purpose of investment holding, it recorded the total deficit of approximately HK$72,000 and HK$20,000 as at 31 December 2018 and 2019 respectively, representing the net liabilities accumulated as a result of the administrative expenses incurred for the period under review. The Target Group recorded the total equity of approximately HK$1,182,000 and HK$311,000 as at 31 December 2020 and 31 October 2021 respectively, representing the net retained profits accumulated as a result of the net profits from renting the properties under development for the period under review.

Total assets of the Target Group were approximately HK$10 million, HK$10 million, HK$762 million and HK$830 million as at 31 December 2018, 2019, 2020 and 31 October 2021 respectively, comprising mainly of the net book value of the Property.

As at 31 December 2018, 2019 and 2020 and 31 October 2021, bank balances of the Target Group were approximately nil, nil, HK$1 million and HK$10 million, respectively.

As at 31 December 2018, 2019 and 2020 and 31 October 2021, the Target Group had total liabilities of approximately HK$10 million and HK$10 million, HK$761 million and HK$830 million respectively, which comprised mainly of an amount due to an intermediate holding company of approximately HK$10 million, HK$10 million, HK$760 million and HK$827 million respectively. The amount due to an intermediate holding company was unsecured, interest-bearing at the most recent average cost of capital of the lender and repayable on demand.

The Target Group's gearing ratio, being the interest-bearing bank and other borrowings divided by its total equity, was approximately nil, nil, 622% and 2,517% as at 31 December 2018, 2019 and 2020 and 31 October 2021, respectively.

The Target Group was not subject to externally imposed capital requirements during the period under review.

Foreign exchange exposure

As at the Latest Practicable Date, the Target Group owns the Property in Hong Kong and has no significant operations. All its assets and liabilities are denominated in Hong Kong dollars. As a result, it has no exposure to foreign exchange rate fluctuation.

Charge on assets

As at 31 December 2018, 2019 and 2020 and 31 October 2021, the Target Group did not have any a bank loan whether or not secured by the Property.

Significant investments, material acquisition and disposals

Except for the acquisition of the Property, the Target Group did not have any significant investments, material acquisitions or disposals during the period under review.

Future plan for material investments or capital assets

The Target Group has no future plan for material investments or capital assets in the remainder of 2021.

Employees and remuneration policy

The Target Group has no employee during the period under review.

Contingent liabilities

As at 31 December 2018, 2019 and 2020 and 31 October 2021, the Target Group did not have any significant contingent liabilities.

Capital Commitment

As at 31 December 2018, 2019 and 2020, the Target Group did not have any capital commitments. As at 31 October 2021, the Target Group had outstanding capital commitments of approximately HK$14 million in relation to the re-development of the Property which were not provided for in the consolidated financial statements of the Target Group.

The information set forth in this appendix does not form part of the Accountants' Report received from KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix II to this circular, and is included herein for illustrative purposes only.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group set forth in Appendix I and the Accountants' Report set forth in Appendix II to this circular.

A. BASIS OF PREPARATION OF THE PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma financial information presented below is prepared to illustrate the assets and liabilities of the Enlarged Group (the "**Unaudited Pro Forma Financial Information**") as at 30 June 2021 as if the Acquisition had taken place and had been completed on 30 June 2021. The Unaudited Pro Forma Financial Information is prepared by the Directors in accordance with Paragraphs 4.29 of the Listing Rules for the purpose of illustrating the effects of the Acquisition on the Group for inclusion in this circular.

The Unaudited Pro Forma Financial Information has been prepared based on (1) the consolidated statement of financial position of the Group at 30 June 2021 extracted from the Company's interim report for the six months ended 30 June 2021; and (2) the consolidated statement of financial position of the Target Group at 31 October 2021 extracted from the Accountants' Report of the Target Group set out in Appendix II to this circular.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimations and uncertainties. Because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed on 30 June 2021 or if the Acquisition has been completed on any future dates.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published interim report of the Group for the six months ended 30 June 2021, the Accountants' Report on the financial information of the Target Group as set out in Appendix II to this circular, respectively, and other financial information included elsewhere in this circular.

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	The Group at 30 June 2021	The Target Group at 31 October 2021	Other pro forma adjustments				The Enlarged Group at 30 June 2021
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets							
Investment properties	3,187,883	–	–	–	–	–	3,187,883
Property, plant and equipment	657,407	–	–	–	–	–	657,407
Interests in associates	496,799	–	–	–	–	–	496,799
Other non-current assets	41,170	–	–	–	–	–	41,170
	4,383,259	–	–	–	–	–	4,383,259
Current assets							
Trade and other receivables	79,767	125,938	–	–	–	–	205,705
Properties under development	–	693,953	–	–	25,739	–	719,692
Investment instruments	647,848	–	–	–	–	–	647,848
Amounts due from related companies	–	14	(14)	–	–	–	–
Tax recoverable	164	–	–	–	–	–	164
Bank balances and cash	659,719	10,435	–	300,000	(852,841)	–	117,313
	1,387,498	830,340	(14)	300,000	(827,102)	–	1,690,722
Current liabilities							
Other payables and accruals	(258,287)	(2,978)	–	–	–	(870)	(262,135)
Due to an intermediate holding company	–	(826,805)	14	–	826,791	–	–
Bank loan	(784,790)	–	–	–	–	–	(784,790)
Lease liabilities	(8,150)	–	–	–	–	–	(8,150)
Tax payable	(16,000)	(246)	–	–	–	–	(16,246)
	(1,067,227)	(830,029)	14	–	826,791	(870)	(1,071,321)
Net current assets/(liabilities)	320,271	311	–	300,000	(311)	(870)	619,401
Total assets less current liabilities	4,703,530	311	–	300,000	(311)	(870)	5,002,660
Non-current liabilities							
Bank loan	(451,988)	–	–	(300,000)	–	–	(751,988)
Lease liabilities	(56,960)	–	–	–	–	–	(56,960)
Deferred tax liabilities	(47,054)	–	–	–	–	–	(47,054)
	(556,002)	–	–	(300,000)	–	–	(856,002)
NET ASSETS/(LIABILITIES)	4,147,528	311	–	–	(311)	(870)	4,146,658

C. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

1. The amounts are extracted from the consolidated statement of financial position of the Group at 30 June 2021 as set out in the published interim report of the Group for the six months ended 30 June 2021.

2. The amounts are extracted from the consolidated statement of financial position of the Target Group at 31 October 2021 as set out in Appendix II to this circular.

3. The adjustment represents reclassification of an amount due from a subsidiary of VPHK to Shareholder's loan due to VPHK.

4. Adjustment has been made to the Unaudited Pro Forma Financial Information for the drawdown of bank loan of HK$300.0 million to settle part of the consideration. The Group has a banking facility of HK$1,000.0 million in which GBP42.0 million (equivalent to approximately HK$436.1 million) has been utilised as at 30 November 2021.

5. Pursuant to the sale and purchase agreement dated 22 November 2021, the Group has conditionally agreed to purchase the entire issued share capital of the Target Company for a consideration of approximately HK$852.9 million. The completion of the Acquisition is dependent on the fulfilment of a number of conditions, among others, the approval from the independent shareholders of the Company. Pursuant to the sales and purchase agreement, the Group has paid approximately HK$42.6 million as a deposit on 26 November 2021.

   90% of consideration of approximately HK$767.7 million will be settled at completion of the Acquisition and the remaining consideration of approximately HK$42.6 million will be settled within 5 business days after the date of determination of the consolidated net asset value of the Target Group as at the Completion Date.

   Upon the completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company. In considering the principal activities of the Target Group, such acquisition is not accounted for as an acquisition of business in accordance with Internal Financial Reporting Standard 3 and Hong Kong Financial Reporting Standard 3, *Business combinations*, but as an acquisition of assets.

   The calculation of pro forma adjustment to the fair value of properties under development are as follows:

	HK$'000
Consideration for the Acquisition	852,841
Carrying amount of identifiable net assets of the Target Group acquired	(311)
Shareholder's loan due to VPHK by the Target Group	(826,791)
Pro forma adjustment to the fair value of properties under development of the Target Group	25,739

   The carrying amount of identifiable net assets of the Target Group acquired is subject to change upon the completion of the Acquisition. Consequently, the resultant adjustment to the fair value of properties under development of the Target Group will likely result in different amounts than those stated in the Unaudited Pro Forma Financial Information.

6. Adjustment has been made to the Unaudited Pro Forma Financial Information for professional costs directly attributable to the Acquisition (including fees to legal advisers, independent financial advisers, reporting accountants, valuer, printer and other expenses).

7. No other adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions entered into by the Enlarged Group subsequent to 30 June 2021.

The following is the text of a valuation report prepared for the purpose of incorporation in this circular received from Knight Frank Petty Limited, an independent valuer, in connection with their valuation as at 31 October 2021 of the Property Interest held by the Target Group.

Knight Frank 萊坊
Knight Frank Petty Limited
4/F, Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong
16 November 2021

The Board of Directors
Vanke Overseas Investment Holding Company Limited
55th Floor,
Bank of China Tower,
1 Garden Road,
Central, Hong Kong

Dear Sirs

VALUATION IN RESPECT OF NOS 221-233 YEE KUK STREET, SHAM SHUI PO, KOWLOON (THE "PROPERTY")

In accordance with the instructions to us from Vanke Overseas Investment Holding Company Limited (hereinafter referred to as the "Company", together with its subsidiaries, hereinafter together referred to as the "**Group**"), to value the Property, we confirm that we have made relevant enquiries and carried out searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property in its existing state as at 31 October 2021 (the "**Valuation Date**") for public disclosure purposes. Our valuation is undertaken by the qualified valuer with relevant experiences as an independent valuer. Our valuation is prepared in unbiased and professional manner.

Basis of Valuation

In arriving at our opinion of the market value, we followed "The HKIS Valuation Standards 2020" issued by The Hong Kong Institute of Surveyors ("**HKIS**") and "The RICS Valuation – Global Standards 2020" issued by the Royal Institution of Chartered Surveyors ("**RICS**"). Under the said standards, Market Value is defined as:-

"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

"the estimated exchange price of an asset without regard to the seller's costs of sale or the buyer's costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction."

Market value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

Our valuation complies with the requirements set out in "The HKIS Valuation Standards 2020" issued by HKIS and "RICS Valuation – Global Standards 2020" issued by RICS.

Our valuation is based on 100% of the leasehold interest of the Property.

Valuation Methodology

Our valuation has been undertaken using appropriate valuation methodology and our professional judgement. In our valuation, we have adopted Market Approach by made reference to the recent market sales evidence which is available in the open market. Appropriate adjustments have been made in our valuation to reflect the differences in the characteristics between the Property and the comparable properties. We have assumed the Property will be completed in accordance with the proposed development scheme given by the Company and ready for immediate occupation as at the Valuation Date with all relevant approvals for the scheme have been obtained. We have also considered the cost of development including construction costs provided by the Company, finance costs, professional fees and developer's profit which duly reflects the risks associated with the development of the Property.

In our valuation, we have made reference to recent sales evidence that are available in the market. We noted transactions relating to residential sites within the Sham Shui Po District which are comparable to the subject in terms of location and marketing position. Market Approach is a suitable methodology in valuing Hong Kong properties. It is also the most widely adopted method in practice. As such, we have adopted the Market Approach in our valuation.

Expertise

The valuer, on behalf of Knight Frank Petty Limited, with the responsibility for this report is Cyrus Fong FRICS FHKIS RPS(GP) RICS Registered Valuer. We confirm that the valuer meets the requirements of HKIS Valuation Standards and the RICS Valuation - Global Standards, having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently.

Our valuation is undertaken by the qualified valuer with relevant experiences as an independent valuer. Our valuation is prepared in unbiased and professional manner.

Valuation Assumptions and Conditions

Our valuation is subject to the following assumptions and conditions:–

Title Documents and Encumbrances

In our valuation, we have assumed a good and marketable title and that all documentation is satisfactorily drawn. We have also assumed that the Property is not subject to any unusual or onerous covenants, restrictions, encumbrances or outgoing. These assumptions are considered valid by the Company. The Company intends to redevelop the Property in compliance with the relevant covenants and/or restrictions to which the Property is subject (including the zoning plan and the government lease as more particularly described below). Based on the information provided by the Company, the existing residential blocks will be demolished. The rectification work for the Building Orders currently registered against the Property will be addressed following the demolition of the existing residential blocks. Therefore, we have disregarded the Building Orders and the effects of the defects on the value and safety of the Property.

Disposal Costs and Liabilities

No allowance has been made in our report for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale.

Sources of Information

We have relied to a very considerable extent on information given by the Company. We have accepted advice given to us on such matters as proposed development scheme, construction cost estimation, statutory notice, easement, land tenure and all other relevant matters. We have not verified the correctness of any information, including their translation supplied to us concerning this Property, whether in writing or verbally by yourselves, your representatives or by your legal or professional advisers or by any (or any apparent) occupier of the Property or contained on the register of title. We assume that this information is complete and correct.

Inspection

We have inspected the Property on 11 November 2021 by Mr. Cyrus Fong, FRICS FHKIS RPS(GP) RICS Registered Valuer. Nevertheless, we have assumed in our valuations that the Property was in satisfactory exterior and interior decorative order without any unauthorized extension or structural alterations or illegal uses as at the Valuation Date, unless otherwise stated.

Identity of the Property to be valued

We have exercised reasonable care and skill to ensure that the Property, identified by the Property address in your instructions, is the Property inspected by us and contained within our valuation report. If there is ambiguity as to the Property address, or the extent of the Property to be valued, this should be drawn to our attention in your instruction or immediately upon receipt of our report.

Property Insurance

We have valued the Property on the assumption that, in all respects, it is insurable against all usual risks including terrorism, flooding and rising water table at normal, commercially acceptable premiums.

Areas and Age

In our valuations, we have relied upon areas provided to us. We have also assumed that the measurements and dimensions shown on the documents handed to us are correct and in approximations only. We have scaled off the floor areas from the approved building plans in accordance with the First Edition (March 1999) of the Code of Measuring Practice by the Hong Kong Institute of Surveyors with Supplement issued on 1 July 2014.

Structural and Services Condition

We have carried out visual inspection only without any structural investigation or building survey. During our limited inspection, we did not inspect any inaccessible areas, We are unable to confirm whether the Property is free from urgent or significant defects or items of disrepair or any deleterious materials have been used in the construction of the Property. Our valuation has therefore been undertaken on the assumption that the Property was in satisfactory repair and condition and contains no deleterious materials and it is sound order and free from structural faults, rot, infestation or other defects, and that the services are in satisfactory condition.

Ground Condition

We have assumed there to be no unidentified adverse ground or soil conditions and that the load bearing qualities of the site of the Property are sufficient to support the building constructed or to be constructed thereon; and that the services are suitable for any existing or future development. Our valuation is therefore prepared on the basis that no extraordinary expenses or delays will be incurred in this respect.

Environmental Issues

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the Property is unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

Compliance with Relevant Ordinances and Regulations

We have assumed the Property was constructed, occupied and used in full compliance with, and without contravention of any ordinance, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the Property upon which this report is based, any and all required licences, permits, certificates, consents, approvals and authorisation have been obtained, expected only where otherwise stated.

Valuation assumption

We have assumed that the owner(s) of the Property is free and uninterrupted rights to use and assign the Property during the whole of the unexpired land-lease term granted subject to the payment of usual Government Rent.

Limitations on Liability

Knight Frank's total liability for any direct loss or damage (whether caused by negligence or breach of contract or otherwise) arising out of or in connection with this valuation is limited to HK$50 million. Knight Frank accepts no liability for any indirect or consequential loss or for loss of profits.

We confirm that we hold adequate and appropriate Professional Indemnity Insurance cover for this instruction.

No claim arising out of or in connection with this valuation report may be brought against any member, employee, partner, director or consultant of Knight Frank. Those individuals will not have a personal duty of care to any party and any claim for losses must be brought against Knight Frank.

This report is confidential to the addressee for the specific purpose to which it refers. It may be disclosed to other professional advisers assisting the addressee in respect of the purposes, but the addressee shall not disclose the report to any other person. Neither the whole, or any part of this report and valuation, nor any reference thereto may be included in any documents, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any web site) without our written approval of the form and context in which it will appear.

In accordance with our standard practice, we must state that this report and valuation is for the use of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents. We do not accept liability to any third party or for any direct or indirect consequential losses or loss of profits as a result of this report.

In our valuations, we have prepared the valuation based on information and data available to us as at the valuation date. While current market is influenced by various policies and regulations, increased complexity in social movements and international trade tensions geopolitics has also resulted in more fluctuations in real estate market. It must be recognised changes in policy direction, mortgage requirements, social and international tensions could be immediate and have sweeping impact on the real estate market apart from typical market variations. It should therefore be noted that any market violation, policy, geopolitical and social changes or other unexpected incidents after the valuation date may affect the value of the Property.

Currency

Unless otherwise stated, all money amounts stated in our valuations are in Hong Kong Dollars (HK$).

Area Conversion

The area conversion factors in this report are taken as follows:

1 sq m = 10.764 sq ft

We enclose herewith our valuation report.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited

Cyrus Fong
FRICS FHKIS RPS(GP) RICS Registered Valuer
Senior Director, Valuation & Advisory

Natalie Wong
MHKIS MRICS RICS Registered Valuer
Senior Director, Valuation & Advisory

Note: Mr Cyrus Fong is a qualified valuer who has over 15 years of extensive experiences in valuation of properties in the PRC, Hong Kong, Macao and Asia Pacific region.

Ms Natalie Wong is a qualified valuer who has over 16 years of extensive experiences in valuation of properties in the PRC, Hong Kong, Macao and Asia Pacific region.

PROPERTY HELD FOR DEVELOPMENT

VALUATION

Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2021
Nos 221-233 Yee Kuk Street, Sham Shui Po, Kowloon The Remaining Portion of New Kowloon Inland Lot No. 980, the Remaining Portion of Sub-Section 1 of Section A, Remaining Portion of Sub-Section 4 of Section A, Remaining Portion of Sub-Section 2 of Section A, the Remaining Portion of Sub-Section 3 of Section A, the Remaining Portion of Sub-Section 5 of Section A and the Remaining Portion of Section A of New Kowloon Inland Lot No. 976. (the "**Lots**")	Nos 221-233 Yee Kuk Street is situated on the north-eastern side of Yee Kuk Street, near to its junction with Yen Chow Street in Sham Shui Po, Kowloon. It is a development site with a site area of approximately 7,420 sq ft (or 689.33 sq m). The Property interests comprise the whole of the Remaining Portion of New Kowloon Inland Lot No. 980, the Remaining Portion of Sub-Section 1 of Section A, Remaining Portion of Sub-Section 4 of Section A, Remaining Portion of Sub-Section 2 of Section A, the Remaining Portion of Sub-Section 3 of Section A, the Remaining Portion of Sub-Section 5 of Section A and the Remaining Portion of Section A of New Kowloon Inland Lot No. 976. The Lots are held under Government Lease for a term commencing from 1 July 1898 until 30 June 2047 at an annual Government rent equivalent to 3% of the rateable value for the time being of the Property.	As advised by the Company, the Property is currently a development site. Based on existing government lease restriction, the Property can be redeveloped into a composite building which comprises residential units and retail units with a total gross floor area of approximately 62,606 sq ft.	HK$635,500,000 (Hong Kong Dollars Six Hundred and Thirty Five Million Five Hundred Thousand)

Notes:

(1) Pursuant to records obtained from the Land Registry and information provided by the Company, the registered owner of Nos 221, 223 and 225 was Lanada (BVI) Company Limited and the registered owners of Nos 227, 229, 231, 233 were Lanada (BVI) Company Limited (90%) and Amber Shine Limited (10%) (Tenant in common).

(2) At the time of our recent search, no incumbrances was registered against the Property.

(3) The Property falls within the "Residential (Group A) 6" zone on the Approved Cheung Sha Wan Outline Zoning Plan No S/K5/37.

(4) The use and development of the Property are governed by the Government Lease of New Kowloon Inland Lot No. 976. The whole of the documents should be noted, but the following conditions are of particular relevance:–

"...... Executors, Administrators or Assigns; or any other person or persons, shall not nor will, during the continuance of this demise, use, exercise or follow, in or upon the said premises or any part thereof, the trade or business of a Brazier, Slaughterman, Soap-maker, Sugar-baker, Fellmonger, Melter of tallow, Oilman, Butcher, Distiller, Victualler, or Tavern-keeper, Blacksmith, Nightman, Scavenger, or any other noisy, noisome or offensive trade or business whatever, without the previous licence of His said Majesty, His Heirs, Successors, or Assigns signified in writing by the Governor of the said Colony of Hongkong, or other person duly authorized in that behalf......"

(5) According to the Sealed Copy Judgement in the Lands Tribunal of the Hong Kong Special Administrative Region Land Compulsory Sale Main Application No 9000 of 2020 (with Schedule 3 to Land (Compulsory Sale for Redevelopment) Ordinance (Cap 545, Laws of Hong Kong)), the redevelopment shall be completed and made fit for occupation not being a period which expires after 6 years after the date on which the purchaser of the lot became the owner of the lot, as specified by the Tribunal in the order for sale to which the lot is subject.

(6) The estimated redevelopment cost based on information provided by client is approximately HK$344,000,000 inclusive of professional fee and the cost incurred is approximately $3,800,000 as at the Valuation Date.

(7) The estimated gross development value of the Property upon completion as at existing government lease restriction as at the Valuation Date is approximately HK$1,299,000,000.

(8) In our valuation, we have assumed the following:–

(i) the registered owners of the Property are the legal and beneficial owners and are entitled to occupy, let, mortgage and redevelop the Property without any restriction.

(ii) the Property is planned to be redeveloped into a retail/residential building. We assumed that all planning and construction permits and approvals have been obtained.

(iii) the proposed development scheme is in compliance with the relevant planning and building ordinances and guidelines.

(9) The following comparable transactions were considered in our valuation:–

Ref No.	Transaction Period	Address	Zoning	Class of Site	Consideration *(HK$) (approx)*	Site area *(sq ft)*	Maximum Total GFA *(sq ft)*	AV *(HK$/ sq ft)*
C1	Dec-20	Nos 244-256 Hai Tan Street, Shum Shui Po, Kowloon	Residential (Group A) 6	A	$576,000,000	7,495	57,000	10,105
C2	Apr-20	Nos 7, 9-9A Cheung Wah Street, Cheung Sha Wan, Kowloon	Residential (Group A) 8	B	$268,000,000	2,160	19,440	13,786
C3	Apr-20	Nos 24-38 Tokin Street, and Nos 240-244 Fuk Wing Street, Shum Shui Po, Kowloon	Residential (Group A) 7	C	$910,000,000	11,517	104,087	8,743

(10) Pursuant to the information of proposed development scheme provided by the Company, the Property is planned to be re-developed into a single composite building which comprises residential units and retail units with a total gross floor area of approximately 62,606 sq ft. The expected period of obtaining Occupation Permit and Certificate of Compliance are May 2024 and October 2024 respectively.

I. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

II. DISCLOSURE OF INTERESTS

(a) Interests and/or short positions of the Directors and chief executives

As at the Latest Practicable Date, the Directors and the chief executive of the Company had the following interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or, chief executive of the Company was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange:

Interests in associated corporations

			Number of ordinary shares held						
Name of Director		**Type of shares**	**Interest held as beneficial owner**	**Interest held by spouse**	**Interest held by controlled corporations**	**Other interests**	**Number of underlying shares held under equity derivatives**	**Total interests**	**Percentage of issued share capital** *(Note)*
Sun Jia	China Vanke	A shares	–	5,800	–	–	–	5,800 *(Note 1)*	0.00006%
Que Dongwu	China Vanke	A shares	60,700	–	–	–	–	60,700 *(Note 1)*	0.00062%
Lee Kai-Yan	Vanke US Management LLC ("**Vanke US**")	Ordinary	–	–	20%	–	–	20% *(Note 2)*	20%

Notes:

1. The total number of ordinary A shares of China Vanke in issue as at Latest Practicable Date was 9,724,196,533 and the total number of ordinary H shares of China Vanke in issue as at Latest Practicable Date was 1,901,186,842. 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.

All the interests in the shares disclosed under this section represent long position in the shares of the Company or its associated corporations. Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be 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 Stock Exchange pursuant to the Model Code.

(b) Interests and/or short positions of substantial shareholders

As at the Latest Practicable Date, so far as is known to any of the Directors, the following persons (other than a person who is a Director or chief executive of the Company) had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or which was recorded in the register required to be kept by the Company (the "**Register**") under section 336 of the SFO:

Name of substantial Shareholder	Long position/ short position	Capacity of interest	Total number of shares in which the shareholder is interested	Percentage of shareholding
China Vanke *(Note 1)*	Long position	Held by controlled corporations	292,145,949	75.0%
CITIC Securities Company Limited *(Note 2)*	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, which is an indirect wholly-owned subsidiary of China Vanke. Wkland Investments Company Limited is a direct wholly-owned subsidiary of Wkland Limited. Wkland Limited is a direct wholly-owned subsidiary of VPHK. VPHK is a direct wholly-owned subsidiary of Shanghai Vanke 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 wholly-owned subsidiary of CITIC Securities Company Limited.

As at the Latest Practicable Date, so far as is known to any of the Directors, the Company had not been notified of any other person (other than the Directors or chief executive of the Company) who had an interest or a short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or which was recorded in the Register pursuant to section 336 of the SFO.

III. COMPETING INTEREST

The following Directors are also directors and/or officers of China Vanke and/or its subsidiaries and affiliates as set out in the table below.

Name of Director	Position held in China Vanke and/or its subsidiaries and affiliates
Sun Jia	The Chief Partner and Chief Executive Officer of Southern Regional Business Group, and Chief Partner of Shenzhen Vanke of China Vanke
Que Dongwu	A staff representative supervisor of the supervisory committee of China Vanke
Lee Kai-Yan	Director of various subsidiaries of China Vanke

The Company and its subsidiaries are principally engaged in asset management, property development and property investment. As at the Latest Practicable Date, the Group owns property development and property investment projects in Hong Kong, the United Kingdom and the US. The VPHK Group (excluding the Group) also owns property development and property investment projects in Hong Kong, the United Kingdom and the US. Depending on circumstances, either the Group or VPHK Group (excluding the Group) participates in acquisitions of land or property development projects in Hong Kong from the Hong Kong Government or entities controlled by the Hong Kong Government through public auction or tender on a sole basis or by way of a joint venture arrangement with independent third parties, or acquire property development and property investment projects in Hong Kong, the United Kingdom and US on a sole basis or by way of a joint venture arrangement.

VPHK is an indirect wholly-owned subsidiary of China Vanke. Mr. Sun Jia holds managerial positions in certain subsidiaries or business units of China Vanke. Ms. Que Dongwu is a common director of the Company and VPHK. Mr. Lee Kai-Yan is connected to China Vanke by virtue of his current position as a director of certain subsidiaries of China Vanke. Mr. Sun Jia (through his spouse) and Ms. Que Dongwu have beneficial interests in the issued shares of China Vanke.

Ms. Zhou Yue, an executive Director, and Mr. Choi Fan Wai, Ms. Law Chi Yin, Cynthia and Mr. Zhang Anzhi, the independent non-executive Directors, do not participate in the routine business of VPHK. The independent non-executive Directors, with the assistance of the chief financial officer and company secretary of the Company, exercise due care and skills in ensuring that the Group is capable of carrying on its business at arm's length and independently from VPHK.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not (i) aware of any other business of China Vanke which competes or is likely to compete, either directly or indirectly, with the Group's businesses; or (ii) aware that any of them had interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group which would fall to be discloseable under the Listing Rules.

IV. INTERESTS IN CONTRACT OR ARRANGEMENT AND ASSETS

On 31 December 2018, the Group renewed the agreement relating to the sharing of administrative services with VPHK on a cost basis for a period of three years commencing from 1 January 2019, which is terminable by either party on giving no less than one month's notice.

On 1 December 2020, the Group entered into an agreement relating to the sharing of administrative services with VPHK on a cost basis for a period of three years taking retrospective effect and commencing from 1 January 2020, which is terminable by either party on giving no less than one month's notice.

The Company is an indirect 75% owned subsidiary of VPHK, which in turn is an indirect wholly-owned subsidiary of China Vanke. As disclosed above, Mr. Sun Jia is an executive of China Vanke and beneficially interested in the issued shares of China Vanke (through his spouse); Ms. Que Dongwu is a director of VPHK and beneficially interested in the issued shares of China Vanke; and Mr. Lee Kai-Yan commonly serves as director of various subsidiaries of China Vanke.

The followings are the interests of the Directors in certain co-investment arrangement of the Group:

(a) approximately 0.295% of the effective interest in the SF Property is indirectly owned by certain employees of China Vanke including Mr. Lee Kai-Yan;

(b) approximately 0.83% of the effective interest in the investment instruments for funding the development of the NY Property is indirectly owned by certain employees of China Vanke including Ms. Que Dongwu and Mr. Lee Kai-Yan, respectively; and

(c) approximately 20% of the effective interest in Vanke US Management LLC, an 80%-owned subsidiary of the Company, is indirectly owned by key members of the Group in the US including Mr. Lee Kai-Yan.

Save as disclosed above and except for the Management Services Framework Agreement, none of the Directors was materially interested in any contracts or arrangement entered into by any member of the Enlarged Group which is subsisting as at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group.

Save as disclosed above and except for the Management Services Framework Agreement, none of the Directors has any direct or indirect interest in any assets which have been, since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by, or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by, or leased to any member of the Enlarged Group.

V. LITIGATION

As at the Latest Practicable Date, no litigation or claim which may be of material importance is known to the Directors to be pending or threatened against any member of the Enlarged Group.

VI. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Enlarged Group since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up.

VII. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered, or is proposing to enter, into any service contract with the Enlarged Group which is not expiring or may not be terminated by the Company within a year without payment of any compensation (other than statutory compensation).

VIII. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contract (not being contract entered into in the ordinary course of business) was entered into by members of the Enlarged Group within the two years immediately preceding the date of this circular and is, or may be, material:

(a) the Management Services Framework Agreement.

IX. EXPERTS AND CONSENTS

The names and qualifications of the professional advisers who have been named in this circular or given its opinion or advice which is contained in this circular are set forth below:

Name	Qualification
Asian Capital Limited	Independent Financial Adviser
KPMG	Certified Public Accountants, Hong Kong
Knight Frank Petty Limited	Valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of their letters and/or reference to their names or opinions in the form and context in which they appear.

As at the Latest Practicable Date:

(a) the experts above did not have any direct or indirect interests in any assets which have been, since 31 December 2020 (being the date to which the latest published audited financial statements of the Group were made up), acquired, disposed of or leased to, or which are proposed to be acquired, disposed of by or leased to, any member of the Enlarged Group; and

(b) the experts did not have any shareholding in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

X. GENERAL

(a) The company secretary of the Company is Ms. Yip Hoi Man, who is a member of the Hong Kong Institute of Certified Public Accounts and is currently the chief financial officer of the Company.

(b) The registered office of the Company is situated at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

(c) The principal place of business of the Company is situated at 55th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong.

(d) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(e) The English texts of this circular shall prevail over the Chinese texts in case of inconsistency.

XI. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://vankeoverseas.com/) for a period of 14 days from the date of this circular:

(a) the SPA;

(b) the letter from the Independent Board Committee dated 31 December 2021, the text of which is set out in the section headed "Letter from the Independent Board Committee" of this circular;

(c) the letter from the IFA dated 31 December 2021, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" of this circular;

(d) the accountants' report of the Target Group from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, the text of which are set out in Appendix II to this circular;

(e) the report on the unaudited pro forma financial information of the Enlarged Group illustrating the effect of the Acquisition from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, the text of which is set out in Appendix IV to this circular;

(f) the valuation report from Knight Frank on the Property, the text of which is set out on Appendix V to this circular; and

(g) the written consent of each of the experts referred to in the paragraph headed "Experts and Consents" in this Appendix.

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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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of the shareholders of Vanke Overseas Investment Holding Company Limited (the "**Company**") will be held at 22/F., United Centre, 95 Queensway, Admiralty, Hong Kong on Thursday, 20 January 2022 at 11:30 a.m. for the purposes of considering and, if thought fit, approving the matters set out below.

ORDINARY RESOLUTIONS

"**THAT**

(a) the sale and purchase agreement (the "**SPA**") dated 22 November 2021 entered into between Oceanic Jade Limited and Vanke Hong Kong Investment Company Limited, a copy of which is marked "A" and initialled by the chairman of the meeting for the purpose of identification, and the terms and the transactions contemplated thereunder be and are hereby confirmed and approved; and

(b) each and every executive director of the Company (the "**Executive Director**") (either singly or jointly with another Executive Director) be and is hereby authorised to sign and execute such other documents and supplemental agreements and deeds (including the affixation of the common seal of the Company where execution under seal is required) for and on behalf of the Company and to do all such things and take all such actions as he/she may consider necessary, desirable or expedient for the purpose of carrying out or giving effect to or otherwise in connection with the SPA and/or the transactions contemplated thereunder."

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

Hong Kong, 31 December 2021

Notes:

(1) A member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or more proxies (who must be an individual or individuals) to attend and vote instead of him. A proxy does not need to be a member of the Company.

(2) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney of authority, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not less than 48 hours before the time appointed for holding the meeting and any adjourned meeting.

(3) For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 17 January 2022 to Thursday, 20 January 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 14 January 2022.

(4) All votes at the meeting are to be taken by poll.

(5) To safeguard the health and safety of Shareholders, staff and other stakeholders and to prevent the spreading of the Novel Coronavirus (COVID-19) pandemic, the following precautionary measures will be implemented at the EGM including, without limitation:

   (i) Compulsory temperature screening/checks and health declaration

   (ii) Compulsory wearing of your own surgical face masks

   (iii) No distribution of refreshments, drinks, cake coupons or corporate gifts

   (iv) Be seated as indicated

   (v) To keep social distancing at the EGM venue, seats shall be limited and will be available on a first-come-first served basis

   Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the EGM venue or be required to leave the EGM venue, at the absolute discretion of the Company as permitted by law.

(6) For the health and safety of Shareholders and all attendees, the Company reminds all Shareholders that physical attendance in person at the EGM is NOT necessary for the purpose of exercising voting rights and would like to encourage Shareholders to appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM according to their indicated voting instructions as an alternative and to return their forms of proxy by the time specified above.

(7) In view of the travelling restrictions imposed by various jurisdictions including Hong Kong SAR to prevent the spread of COVID-19, certain Director(s) of the Company may attend the EGM through conference call or similar electronic means.

(8) Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement(s) on such measures as appropriate.

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

Executive Directors:
Mr. Sun Jia (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