



Vanke Property (Overseas) Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01036)

2013

Interim Report

For the six months ended 30 June 2013



This interim report is printed on environmentally friendly paper

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

ZHANG Xu
QUE Dong Wu

Non-Executive Directors

WANG Wen Jin
CHAN Chi Yu

Independent Non-Executive Directors

CHAN Wai Hei, William
CHUNG Wai Sum, Patrick
SHIUM Soon Kong

AUDIT COMMITTEE

CHAN Wai Hei, William (*Chairman*)
WANG Wen Jin
CHUNG Wai Sum, Patrick

REMUNERATION COMMITTEE

SHIUM Soon Kong (*Chairman*)
QUE Dong Wu
CHAN Wai Hei, William

NOMINATION COMMITTEE

CHUNG Wai Sum, Patrick (*Chairman*)
ZHANG Xu
SHIUM Soon Kong

CHIEF FINANCIAL OFFICER

LUK Chi Chung, Peter

COMPANY SECRETARY

LAI Ivy

AUDITOR

KPMG

LEGAL ADVISORS TO THE COMPANY

Reed Smith Richards Butler (*as to Hong Kong Laws*)
Maples and Calder (*as to Cayman Islands Laws*)

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

REGISTERED OFFICE

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Grand Cayman KY1-1104
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Management Discussion and Analysis

CHANGE OF CONTROLLING SHAREHOLDER

On 16 July 2012, the controlling shareholder of the Company was changed to China Vanke Co., Ltd. ("China Vanke") upon completion of an agreement dated 13 May 2012 (the "Agreement") relating to sale of 205,835,845 shares of the Company by the former controlling shareholder of the Company to Wkland Investments Company Limited ("Wkland Investments"). Wkland Investments is an indirect wholly-owned subsidiary of Vanke Property (Hong Kong) Company Limited ("Vanke HK"), which in turn is an indirect wholly-owned subsidiary of China Vanke.

Upon completion of the Agreement, the Group only retained the business of holding and the operation and management of, various portions and the carpark podium of Regent Centre in Kwai Chung, Hong Kong (the "Continuing Operations"). Other assets and businesses were distributed to the shareholders of the Company, whose names appeared on the register of members of the Company on 13 July 2012, by way of a distribution in specie which took place immediately before completion of the Agreement (the "Discontinued Operations").

BUSINESS REVIEW

The Group's unaudited turnover for the six months ended 30 June 2013 (the "Period") was HK\$41 million, compared to HK\$38 million for the same period last year. The increase was mainly due to improved occupancy and passing rent for the units owned by the Group in Regent Centre. Occupancy for the Group's properties reached 97% as at 30 June 2013.

The Group's unaudited profit attributable to shareholders for the Period was HK\$82 million (six months ended 30 June 2012: HK\$334 million). Excluding the results attributable to the Discontinued Operations and the change in fair value of investment properties, the Group's underlying profit for the Period was HK\$15 million (six months ended 30 June 2012: HK\$11 million). The increase was mainly due to reduction in administrative expenses as a result of the non-recurring nature of the legal and professional fee of HK\$9 million being incurred for transactions contemplated under the Agreement in the prior period, partly set off by an increase in finance costs of HK\$4 million during the Period.

VALUATION OF THE GROUP'S INVESTMENT PROPERTIES

The Group's investment properties comprise various portions and the carpark podium in Regent Centre (the "Property") having a gross floor area of approximately 61,000 square meters, representing approximately 64% of the total gross floor area of Regent Centre.

The Property was valued at HK\$1,327 million as at 30 June 2013 (31 December 2012: HK\$1,260 million) by Vigers Appraisal & Consulting Limited, an independent property valuer, on the basis of open market value. The increase in value is mainly attributable to the improved leasing performance of the Property. A fair value gain of HK\$67 million was recognised in the financial statements during the Period.

Management Discussion and Analysis *(continued)*

ACQUISITION OF A 20% INTEREST IN TW6 PROJECT

On 16 May 2013, the Group entered into an agreement (the “TW6 Agreement”) to acquire the entire issued share capital of Wkdeveloper Limited (“Wkdeveloper”) and all related shareholder’s loan from Vanke HK for a cash consideration of HK\$722 million (subject to upward adjustment). Wkdeveloper is legally and beneficially holding 20% equity interest in Ultimate Vantage Limited (“Ultimate Vantage”), which has been granted the right to develop the West Rail Tsuen Wan West Station TW6 Property Development project (the “TW6 Project”) in January 2013.

The TW6 Project involves the non-industrial development of a land lot located near the West Rail Tsuen Wan West Station having a site area of 13,804 square meters and a maximum developable gross floor area of 62,711 square meters. The number of residential units in the TW6 Project is no less than 894, of which at least 520 units will be of size not exceeding 50 square meters in saleable area.

The transaction constituted a major and connected transaction to the Company under the Listing Rules and was approved by the independent shareholders at an extraordinary general meeting of the Company held on 21 June 2013. Completion of the transaction is subject to, amongst others, approval from various parties including Tsuen Wan West TW6 Property Development Limited becoming unconditional. It is expected that such conditions can be fulfilled in the third quarter this year.

For details of the transaction, please refer to the Company’s announcement dated 16 May 2013 and the Company’s circular dated 4 June 2013.

FINANCIAL REVIEW

Debt position

The term portion of a three-year loan facility arranged in December 2012 (the “Facility”) was drawn at the end of its availability period in March 2013, resulting in an increase in bank borrowings to HK\$293 million as at 30 June 2013 (31 December 2012: nil) and an increase in finance costs to HK\$4 million during the Period (six months ended 30 June 2012: HK\$0.6 million). Out of the total bank borrowings as at 30 June 2013, HK\$5.5 million is due within one year, HK\$5.5 million is due within the second year and the balance of HK\$281.5 million is due within the third year.

Cash position

Loan proceeds from drawdown of the Facility are temporarily placed as deposit with bank to earn interest income, resulting in an increase in bank balances and cash to HK\$362 million as at 30 June 2013 (31 December 2012: HK\$50 million) and an increase in finance income to HK\$0.3 million during the Period (six months ended 30 June 2012: nil). The Group’s undrawn banking facilities amounted to HK\$300 million as at 30 June 2013 (31 December 2012: HK\$600 million).

Gearing

The Group’s gearing, calculated as a percentage of total liabilities of HK\$348 million (31 December 2012: HK\$49 million) to total assets of HK\$1,701 million (31 December 2012: HK\$1,328 million), was 20% as at 30 June 2013 (31 December 2012: 4%). The increase was mainly due to draw down of the term portion of the Facility during the Period.

Treasury policies

The Group operates in Hong Kong and all its assets and liabilities are denominated in Hong Kong dollar. As a result, it has no exposure to foreign exchange rate fluctuation. The Group’s bank borrowings bear interest at floating rate. The Group reviews its interest rate exposure on a regular basis and, if appropriate, will consider entering into interest rate swap contracts to hedge the exposure to the extent required.

Management Discussion and Analysis *(continued)*

FINANCIAL REVIEW *(continued)*

Commitments

As at 30 June 2013, the Group was contractually committed to pay the consideration of HK\$722 million (subject to upward adjustment) for acquiring the 20% interest in TW6 Project in cash in the following manner:

- (i) as to HK\$572 million and the amount of upward adjustment in cash on the third business day following fulfillment of all conditions precedent to the TW6 Agreement; and
- (ii) as to HK\$150 million in cash within three business days from the date on which not less than HK\$150 million in aggregate of the shareholder's loan advanced from Wkdeveloper to Ultimate Vantage having been repaid to and actually received by Wkdeveloper.

The consideration is subject to upward adjustment for additional interest and advances made by Vanke HK to finance the investment of Wkdeveloper in Ultimate Vantage from the date of the TW6 Agreement until completion. The Group currently expects to utilise its existing cash resources and available banking facilities to settle the portion of the consideration payable upon completion.

The Group had no significant commitments as at 31 December 2012.

Contingent liabilities

The Group had no significant contingent liabilities as at 30 June 2013 (31 December 2012: nil).

Pledge of assets

The Group's investment properties with a carrying value of HK\$1,327 million as at 30 June 2013 (31 December 2012: HK\$1,260 million) were pledged to secure banking facilities of the Group.

EMPLOYEES

The Group had 1 employee as at 30 June 2013 (31 December 2012: nil).

Vanke HK as an intermediate holding company of the Company provides administrative support to the Group on a cost basis. The amount of service fees payable by the Company to Vanke HK amounted to HK\$2,050,000 during the Period (six months ended 30 June 2012: nil).

The former controlling shareholder of the Company provides administrative, property management, brokerage, agency and leasing services to the Group. The amount of fees paid and payable by the Group for such services amounted to HK\$2,801,000 during the Period (six months ended 30 June 2012: nil).

The Group is still in the course of recruiting employees to fill up vacant positions within the Group. In so doing, the Group will align remuneration and benefit packages with pay levels and practices prevailing in the market and recognise individual responsibility and performance. All eligible employees in Hong Kong will be enrolled to a defined contribution mandatory provident fund scheme.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (six months ended 30 June 2012: nil).

Management Discussion and Analysis *(continued)*

OUTLOOK

The recent measures taken by the Hong Kong Government to stabilise property prices have reduced the transaction volume and brought the surging of property prices caused by the depreciation of Hong Kong dollar, low interest-rate environment and limited land supply to a halt. The Directors believe that these measures are beneficial to the medium and long term prospects of the property market in Hong Kong. Driven by this belief, the Company with the assistance of China Vanke has identified the acquisition of a 20% interest in TW6 Project from Vanke HK as a unique opportunity for the Company to expand its business activities from property investment to property investment and development. The development of the TW6 Project is targeted for completion in 2018. It is expected that there will be a solid demand for the residential units in the TW6 Project, comprising mainly smaller size apartments tailoring for the mass public, when the units are launched to the market for sale at an appropriate time.

The fundamentals of the Hong Kong economy remain positive, despite uncertainties on the pace of the global economic recovery and the potential slowdown of the economic growth in Mainland China. In light of this, the leasing performance of Regent Centre is expected to remain satisfactory in the remainder of the year.

On behalf of the Board

Zhang Xu

Director

Hong Kong, 19 July 2013

Report on Review of Interim Financial Information



Review report to the Board of Directors of Vanke Property (Overseas) Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 8 to 24 which comprises the consolidated balance sheet of Vanke Property (Overseas) Limited as of 30 June 2013 and the related consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial information in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information as at 30 June 2013 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

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

Hong Kong, 19 July 2013

Consolidated Income Statement

For the six months ended 30 June 2013 — unaudited

	Note	For the six months ended	
		30 June 2013 HK\$'000	30 June 2012 HK\$'000
Continuing operations:			
Turnover	4	40,577	38,138
Cost of services		(9,705)	(8,182)
Gross profit		30,872	29,956
Other income	5	75	62
Administrative, leasing and marketing expenses		(8,238)	(12,197)
Increase in fair value of investment properties	11	66,980	–
Operating profit		89,689	17,821
Finance income	6(a)	314	–
Finance costs	6(a)	(4,281)	(609)
Profit before taxation	6	85,722	17,212
Taxation charge	7	(3,539)	(4,891)
Profit for the period from continuing operations		82,183	12,321
Discontinued operations:			
Profit for the period from discontinued operations	8	–	323,133
Profit for the period		82,183	335,454

Consolidated Income Statement *(continued)*

For the six months ended 30 June 2013 — unaudited

	Note	For the six months ended	
		30 June 2013 HK\$'000	30 June 2012 HK\$'000
Attributable to:			
Shareholders of the Company			
— Continuing operations		82,183	11,238
— Discontinued operations		—	323,071
		82,183	334,309
Non-controlling interests			
— Continuing operations		—	1,083
— Discontinued operations		—	62
		—	1,145
		82,183	335,454
		HK\$	HK\$
Earnings per share — basic and diluted	9		
— Continuing operations		0.32	0.04
— Discontinued operations		—	1.24

Details of dividends paid and payable to shareholders of the Company are set out in note 10.

The notes on pages 14 to 24 form part of this interim financial information.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013 — unaudited

	For the six months ended	
	30 June 2013 HK\$'000	30 June 2012 HK\$'000
Profit for the period	82,183	335,454
Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of the financial statements of overseas subsidiaries	—	3,296
Changes in fair value of available-for-sale financial assets	—	81,997
Transferred to consolidated income statement upon derecognition of an available-for-sale financial asset	—	(79,073)
Share of hedging reserve of an associate	—	(1,774)
Cash flow hedges		
— Fair value losses	—	(7,010)
— Realised upon settlement	—	21,415
Other comprehensive income for the period	—	18,851
Total comprehensive income for the period	82,183	354,305
Attributable to:		
Shareholders of the Company		
— Continuing operations	82,183	11,238
— Discontinued operations	—	341,922
	82,183	353,160
Non-controlling interests		
— Continuing operations	—	1,083
— Discontinued operations	—	62
	—	1,145
Total comprehensive income for the period	82,183	354,305

There is no tax effect relating to each of the components in other comprehensive income.

The notes on pages 14 to 24 form part of this interim financial information.

Consolidated Balance Sheet

At 30 June 2013

	Note	At 30 June 2013 HK\$'000 (unaudited)	At 31 December 2012 HK\$'000 (audited)
Non-current assets			
Investment properties	11	1,326,570	1,259,590
Deferred tax assets		2,562	1,994
		1,329,132	1,261,584
Current assets			
Trade and other receivables	12	9,805	15,883
Tax recoverable		14	17
Bank balances and cash		362,400	50,151
		372,219	66,051
Current liabilities			
Other payables and accruals	13	(22,255)	(20,248)
Amount due to an intermediate holding company	14	(2,241)	–
Bank loans due within one year, secured	15	(5,500)	–
Tax payable		(4,218)	(2,503)
		(34,214)	(22,751)
Net current assets		338,005	43,300
Total assets less current liabilities		1,667,137	1,304,884
Non-current liabilities			
Bank loans due after one year, secured	15	(287,000)	–
Deferred tax liabilities		(26,801)	(25,940)
		(313,801)	(25,940)
NET ASSETS		1,353,336	1,278,944
CAPITAL AND RESERVES			
Share capital		2,596	2,596
Reserves		1,350,740	1,276,348
TOTAL EQUITY		1,353,336	1,278,944

The notes on pages 14 to 24 form part of this interim financial information.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013 — unaudited

	Attributable to shareholders of the Company						Total	Non-controlling interests	Total equity
	Share capital	Contributed surplus	Investment revaluation reserve	Exchange reserve	Hedging reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2012	2,596	519,151	211,431	17,629	(100,952)	10,669,212	11,319,067	38,116	11,357,183
Changes in equity for the six months ended 30 June 2012:									
Profit for the period	–	–	–	–	–	334,309	334,309	1,145	335,454
Other comprehensive income	–	–	2,924	3,296	12,631	–	18,851	–	18,851
Total comprehensive income	–	–	2,924	3,296	12,631	334,309	353,160	1,145	354,305
Final dividend approved in respect of the previous year (note 10(b))	–	–	–	–	–	(122,052)	(122,052)	–	(122,052)
At 30 June 2012	2,596	519,151	214,355	20,925	(88,321)	10,881,469	11,550,175	39,261	11,589,436
At 1 January 2013	2,596	–	–	–	–	1,276,348	1,278,944	–	1,278,944
Changes in equity for the six months ended 30 June 2013:									
Profit for the period	–	–	–	–	–	82,183	82,183	–	82,183
Other comprehensive income	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	82,183	82,183	–	82,183
Final dividend approved in respect of the previous year (note 10(b))	–	–	–	–	–	(7,791)	(7,791)	–	(7,791)
At 30 June 2013	2,596	–	–	–	–	1,350,740	1,353,336	–	1,353,336

The notes on pages 14 to 24 form part of this interim financial information.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2013 — unaudited

	For the six months ended	
	30 June 2013	30 June 2012
	HK\$'000	HK\$'000
Net cash generated from operating activities	31,236	146,212
Net cash generated from investing activities	219	110,553
Net cash generated from/(used in) financing activities	280,794	(296,852)
Net increase/(decrease) in cash and cash equivalents	312,249	(40,087)
Cash and cash equivalents at beginning of the period	50,151	647,478
Effect of foreign exchange rate changes	–	(810)
Cash and cash equivalents at end of the period	362,400	606,581
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	362,400	606,581

The notes on pages 14 to 24 form part of this interim financial information.

Notes to the Unaudited Interim Financial Information

1 GENERAL INFORMATION

Vanke Property (Overseas) Limited (the "Company") is a limited liability company incorporated under the laws of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is situated at P.O. Box 309, Uglund House, Grand Cayman KY1-1104, Cayman Islands and the address of its principal office in Hong Kong is 55/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong. The Company is an investment holding company. The principal subsidiaries of the Company are engaged in property investment and management.

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

2 BASIS OF PREPARATION

The unaudited consolidated interim financial information (the "Interim Financial Information") has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

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

The Interim Financial Information has been prepared in accordance with same accounting policies adopted in the financial statements for the year ended 31 December 2012, except for the accounting policy changes that are expected to be reflected in the financial statements for the year ending 31 December 2013. Details of these changes in accounting policies are set out in note 3.

This Interim Financial Information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group and the Company since the financial statements for the year ended 31 December 2012. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 13, *Fair value measurement*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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

3 CHANGES IN ACCOUNTING POLICIES *(continued)*

Amendments to HKAS 1, Presentation of financial statements — Presentation of items of other comprehensive income

The amendments to HKAS 1 require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in this Interim Financial Information has been modified accordingly.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation — Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

4 TURNOVER AND SEGMENT INFORMATION

Turnover recognised during the Period are as follows:

	For the six months ended	
	30 June 2013	30 June 2012
	HK\$'000	HK\$'000
Continuing operations:		
Rental and property management	40,577	38,138
Discontinued operations:		
Rental and property management	–	227,674
Warehousing	–	5,866
	–	233,540

Operating segments

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

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

4 TURNOVER AND SEGMENT INFORMATION *(continued)*

The segment results from continuing operations are as follows:

	For the six months ended	
	30 June 2013 HK\$'000	30 June 2012 HK\$'000
Rental and property management		
Turnover	40,577	38,138
Segment results before change in fair value of investment properties	30,108	29,887
Increase in fair value of investment properties	66,980	–
Segment results	97,088	29,887
Head office and corporate expenses (net of unallocated income)	(7,399)	(12,066)
Operating profit	89,689	17,821
Finance income	314	–
Finance costs	(4,281)	(609)
Profit before taxation from continuing operations	85,722	17,212
Taxation charge	(3,539)	(4,891)
Profit for the period from continuing operations	82,183	12,321

5 OTHER INCOME

	For the six months ended	
	30 June 2013 HK\$'000	30 June 2012 HK\$'000
Continuing operations:		
Others	75	62
Discontinued operations:		
Dividend income from listed available-for-sale financial assets	–	9,739
Others	–	791
	–	10,530

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

6 PROFIT BEFORE TAXATION

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

(a) Finance income and costs

	For the six months ended	
	30 June 2013 HK\$'000	30 June 2012 HK\$'000
Continuing operations:		
<i>Finance income</i>		
Interest income on bank deposits and balances	(314)	–
<i>Finance costs</i>		
Interest expenses on bank loans and overdrafts	2,094	609
Other borrowing costs	2,187	–
	4,281	609
Discontinued operations:		
<i>Finance income</i>		
Interest income on bank deposits and balances	–	(3,206)
<i>Finance costs</i>		
Interest expenses on bank loans and overdrafts	–	34,846

(b) Others

Continuing operations:		
Depreciation	–	20
Legal and professional fees directly attributable to the transactions contemplated under an agreement dated 13 May 2012 in relation to change of controlling shareholder of the Company (the "Agreement")	–	8,800
Staff costs (including Directors' emoluments)	1,016	1,801
Discontinued operations:		
Amortised income from held-to-maturity investments	–	(6,312)
Depreciation	–	1,127
Fair value loss on derivative financial instruments	–	1,574
Staff costs (including Directors' emoluments)	–	26,339
Transferred to consolidated income statement upon derecognition of an available-for-sale financial asset	–	(79,073)

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

7 TAXATION CHARGE

	For the six months ended	
	30 June 2013 HK\$'000	30 June 2012 HK\$'000
Continuing operations:		
<i>Current tax</i>		
Hong Kong Profits Tax	3,246	3,625
<i>Deferred tax</i>		
Origination and reversal of temporary differences	293	1,266
	3,539	4,891
Discontinued operations:		
<i>Current tax</i>		
Hong Kong Profits Tax	–	7,542
<i>Deferred tax</i>		
Origination and reversal of temporary differences	–	13,267
	–	20,809

Provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2012: 16.5%) on the estimated assessable profits for the Period.

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

8 DISCONTINUED OPERATIONS

Pursuant to the Agreement, the Group's businesses, other than those relating to the units and car park podium in Regent Centre currently owned by the Group, were distributed to the shareholders of the Company, whose names appeared on the register of members of the Company on 13 July 2012, upon completion of the Agreement on 16 July 2012. The results of the distributed businesses were reported as discontinued operations in the financial statements.

- (a) The results of the distributed businesses as included in the consolidated income statement for the six months ended 30 June 2012 were set out below.

	<i>Note</i>	HK\$'000
Turnover	4	233,540
Cost of services		<u>(49,213)</u>
Gross profit		184,327
Other income	5	10,530
Administrative, leasing and marketing expenses		(20,495)
Increase in fair value of investment properties	11	36,626
Other gains, net		<u>81,750</u>
Operating profit		292,738
Finance income	6(a)	3,206
Finance costs	6(a)	<u>(34,846)</u>
		261,098
Share of profits less losses of associates		<u>82,844</u>
Profit before taxation	6	343,942
Taxation charge	7	<u>(20,809)</u>
Profit for the period from discontinued operations		<u>323,133</u>

- (b) The net cash flows of the distributed businesses for the six months ended 30 June 2012 were as follows:

	HK\$'000
Net cash generated from operating activities	145,220
Net cash generated from investing activities	110,553
Net cash used in financing activities	<u>(295,798)</u>
Net decrease in cash and cash equivalents of the discontinued operations	<u>(40,025)</u>

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

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company from the continuing operations and discontinued operations of HK\$82,183,000 and nil (six months ended 30 June 2012: HK\$11,238,000 and HK\$323,071,000), respectively, and 259,685,288 shares (six months ended 30 June 2012: 259,685,288 shares) in issue during the Period.

Diluted earnings per share for the continuing operations and discontinued operations equals to the basic earnings per share for the continuing operations and discontinued operations as the Company had no dilutive potential shares in issue during the Period (six months ended 30 June 2012: nil).

10 DIVIDEND

(a) Dividend attributable to the Period:

The Directors do not recommend the payment of an interim dividend for the Period (six months ended 30 June 2012: nil).

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

	For the six months ended	
	30 June 2013	30 June 2012
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the Period, of HK\$0.03 (six months ended 30 June 2012: HK\$0.47) per share	7,791	122,052

11 INVESTMENT PROPERTIES

Investment properties of the Group were revalued at 30 June 2013 on a market value basis calculated by reference to direct comparison method and direct capitalisation of existing net rental income allowing for reversionary market sale potential of the property. The valuations were carried out by an independent firm of surveyors, Vigers Appraisal & Consulting Ltd., who has among its staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. During the Period, the increase in fair value of investment properties (continuing operations) was HK\$66,980,000 (six months ended 30 June 2012: continuing operations: nil; discontinued operations: HK\$36,626,000).

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

12 TRADE AND OTHER RECEIVABLES

	At 30 June 2013 HK\$'000	At 31 December 2012 HK\$'000
Trade receivables, net of allowance for doubtful debts	790	619
Amortised rent receivables	512	594
Other receivables	5,897	11,744
Deposits	2,398	2,393
Prepayments	208	533
	9,805	15,883

Trade receivables represent rental receivables from tenants of the Group's investment properties. The Group maintains a defined policy in respect of rent collection. The credit quality of a new lease or customer is assessed based on a defined policy set by the Group. Reminders are issued bi-weekly when trade receivables have been overdue for 15 days, and legal actions will be taken when the trade receivables have been overdue for two months. Normally, the Group does not obtain any collateral from tenants. The ageing analysis of trade receivables (net of allowance for doubtful debts), based on the date of revenue recognition, is as follows:

	At 30 June 2013 HK\$'000	At 31 December 2012 HK\$'000
0 to 30 days	623	570
31 to 90 days	167	49
	790	619

13 OTHER PAYABLES AND ACCRUALS

	At 30 June 2013 HK\$'000	At 31 December 2012 HK\$'000
Other payables	2,186	1,632
Deposits received	17,995	16,852
Accruals	2,074	1,764
	22,255	20,248

Except for the rental deposits received on properties of HK\$8,716,000 (31 December 2012: HK\$8,322,000) which are expected to be settled more than one year, all of the other payables and accruals are expected to be settled within one year or are repayable on demand.

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

14 AMOUNT DUE TO AN INTERMEDIATE HOLDING COMPANY

The amount due to an intermediate holding company is unsecured, interest-free and repayable on demand.

15 BANK LOANS, SECURED

	At 30 June 2013 HK\$'000	At 31 December 2012 HK\$'000
Secured bank loans	300,000	–
Other borrowing costs capitalised	(7,500)	–
Total bank loans	292,500	–
Representing secured bank loans		
Due within one year	5,500	–
Between one and two years	5,500	–
Between two and five years	281,500	–
Due after one year	287,000	–
	292,500	–

The Group's banking facilities of HK\$600,000,000 are secured by investment properties with a carrying amount of HK\$1,326,570,000 as at 30 June 2013 (31 December 2012: HK\$1,259,590,000). The facilities were utilised to the extent of HK\$300,000,000 as at 30 June 2013 (31 December 2012: nil).

16 COMMITMENTS

	At 30 June 2013 HK\$'000	At 31 December 2012 HK\$'000
Contracted for <i>(note)</i>	722,000	–

Note: On 16 May 2013, Mainland Investments Group Limited ("Mainland"), a wholly-owned subsidiary of the Company, and Vanke Property (Hong Kong) Company Limited ("Vanke HK"), an intermediate holding company of the Company, entered into a sale and purchase agreement ("SPA") whereby Mainland agreed to purchase (or procure its nominee to purchase) and Vanke HK agreed to sell the entire issued share capital of Wkdeveloper Limited ("Wkdeveloper") and all the shareholder's loan outstanding and owing by Wkdeveloper to Vanke HK for a cash consideration of HK\$722,000,000 (subject to upward adjustment). Wkdeveloper is legally and beneficially holding 20% equity interest in Ultimate Vantage Limited ("Ultimate Vantage"), which is the holder of the rights to the development of the West Rail Tsuen Wan West Station TW6 Property Development ("TW6 Project"). In other words, Mainland (or its nominee) is in effect acquiring the 20% interest to participate in the development of the TW6 Project with another developer, which is an independent party legally holding 80% equity interest in Ultimate Vantage. The transaction contemplated under the SPA was approved by the independent shareholders of the Company at an extraordinary general meeting of the Company held on 21 June 2013. The completion of the SPA is expected to take place in the third quarter this year.

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

17 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in this Interim Financial Information, the Group entered into the following material related party transactions:

- (a) The following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the Period.

	For the six months ended	
	30 June 2013	30 June 2012
	HK\$'000	HK\$'000
Rental and management fee income from former related companies <i>(note (i))</i>	–	8,362
Service fees payable to an intermediate holding company <i>(note (ii))</i>	(2,050)	–
Dividend income from associates	–	87,222
Repayment/advances from associates	–	13,087
Key management compensation <i>(note (iii))</i>	(825)	(4,652)

Notes:

- (i) *The rental and management fee income was charged at rates pursuant to agreements entered into between the Group and the former related companies. Upon the completion of the Agreement in July 2012, these companies are no longer related parties of the Group.*
- (ii) *Service fees are charged at bases agreed by both parties.*
- (iii) *Key management personnel represent the directors of the Company.*

17 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

- (b) On 16 May 2013, the Group entered into an agreement to acquire the entire issued share capital of Wkdeveloper Limited and all related shareholder's loan from Vanke HK at a cash consideration of HK\$722 million, subject to upward adjustment. The transaction constituted a major and connected transaction to the Company under the Listing Rules and was approved by the independent shareholders of the Company at an extraordinary general meeting of the Company (the "EGM") held on 21 June 2013. Unless extended by the parties in writing, completion of the agreement shall take place on the third business day following all conditions precedent under the agreement being fulfilled on or before 30 September 2013.
- (c) On 18 June 2012, the Group entered into an agreement to purchase the remaining 4.76% interest in WK Property Financial Limited ("WKPFL", formerly known as "Winsor Properties Financial Services Limited") at a cash consideration equal to 1/21 of the consolidated net asset value of WKPFL and its wholly-owned subsidiary from Parex International Limited ("Parex"), a company in which a former director of the Company was beneficially interested. Contemporaneously with the share acquisition, WKPFL was required to repay all the outstanding shareholders' loans that were owed to Parex by WKPFL; and to declare and pay dividends to the shareholders of WKPFL. The transactions constituted special deals under the Takeovers Code and were approved by the independent shareholders of the Company at the EGM held on 9 July 2012. Completion of the transactions took place on 16 July 2012.
- A total consideration of HK\$69,573,000 was paid to Parex, comprising share acquisition of HK\$14,333,000, shareholder loan repayment of HK\$32,498,000 and dividend payment of HK\$22,742,000.
- (d) On 18 June 2012, the Group entered into an agreement relating to the provision of administrative, property management, staffing, brokerage, agency and leasing services by the former controlling shareholder of the Company in a manner and on terms consistent with the provision of such services over the twelve months immediately preceding 13 May 2012, the date of the share sale agreement relating to the change of controlling shareholder of the Company. The agreement constituted a special deal under the Takeovers Code and was approved by the independent shareholders of the Company at the EGM held on 9 July 2012. The agreement took effect from 16 July 2012.
- (e) On 18 June 2012, the Group, including its former subsidiaries, entered into various tenancy agreements in relation to the leasing of premises to related parties. The entering into of the tenancy agreements constituted continuing connected transactions of the Company under the Listing Rules and/or special deals under the Takeovers Code. Each of the tenancy agreements were approved by the independent shareholders of the Company at the EGM held on 9 July 2012.

Other Information

REVIEW OF INTERIM FINANCIAL INFORMATION

The interim financial information of the Group for the Period is unaudited, but has been reviewed by KPMG, the Company's independent auditor, in accordance with the Hong Kong Standard on Review Engagements 2410 "*Review of interim financial information performed by the independent auditor of the entity*" issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in this interim report. The interim financial information has also been reviewed by the Company's Audit Committee.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the Period, except for the following deviations:

Code provision A.2.1

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive should be clearly established and in writing.

The Company has not appointed Chairman of the Board and Managing Director. The duties of chairman and chief executive under code provisions A.2.2 to A.2.9 are shared amongst Zhang Xu and Que Dong Wu, the Executive Directors.

The Board will consider appointing Chairman and Managing Director at an appropriate stage when the Group has expanded the size of operation.

Code provision A.2.7

Code provision A.2.7 stipulates that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. As the Company has not appointed Chairman of the Board, this code provision is not applicable to the Company.

Code provision F.1.3

Code provision F.1.3 stipulates that the company secretary should report to the board chairman and/or the chief executive. As the Company has not appointed Chairman of the Board and Managing Director, this code provision is not applicable to the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the Period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the Period.

Other Information *(continued)*

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

On 1 July 2013, Chung Wai Sum, Patrick retired as executive director and managing director of HKC (Holdings) Limited (stock code: 00190).

Apart from the above, there has been no change to the information of the Directors since the date of the issuance of the annual report of the Company for the year ended 31 December 2012, which is required to be disclosed in this interim report pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30 June 2013, the interests or short positions of the Directors in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(a) Interests in the Company

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

Note:

- The total number of ordinary shares of the Company in issue as at 30 June 2013 was 259,685,288.

(b) Interests in an associated corporation, China Vanke

Name of Director	Number of ordinary shares held					Total Interests	Percentage of issued share capital
	Interests held as beneficial owner	Interests held by spouse	Interests held by controlled corporations	Other interests	Number of underlying shares held under equity derivatives (Note 1)		
Zhang Xu	659,039	–	–	–	550,000	1,209,039	0.01%
Que Dong Wu	1,175,700	–	–	–	750,000	1,925,700	0.02%
Wang Wen Jin	2,223,591	–	–	–	1,320,000	3,543,591	0.04%
Chan Chi Yu	–	–	500,203	–	–	500,203	0.04%

Notes:

- These represented interests in shares options granted by China Vanke to its directors and employees as beneficial owners, details of which are set out in the sub-section (c) headed "Underlying shares in China Vanke".
- The total number of ordinary A shares of China Vanke in issue as at 30 June 2013 was 9,698,769,501, and the total number of ordinary B shares of China Vanke in issue as at 30 June 2013 was 1,314,955,468. The percentage of issued share capital shown above is calculated based on the number of issued shares in the relevant class alone, without taking into account the issued share capital of the other classes.

Other Information *(continued)*

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

(c) Underlying shares in China Vanke

Pursuant to a share option scheme of China Vanke adopted on 25 April 2011 (the "China Vanke Share Option Scheme"), senior management and key staff of China Vanke and its subsidiaries (the "China Vanke Group") were granted options at nil consideration to subscribe for an aggregate of 110,000,000 A shares of China Vanke. Each option gives the holder the right to subscribe for one A share of China Vanke.

Details of the outstanding options granted to the Directors under the China Vanke Share Option Scheme are as follows:

Name of Director	Exercise period	Exercise price	Number of entitled shares as at 30 June 2013
		RMB	
Zhang Xu	12 July 2012 to 24 April 2014	8.48	100,000
	1 May 2013 to 24 April 2015	8.48	225,000
	1 May 2014 to 24 April 2016	8.48	225,000
			<hr/> 550,000
Que Dong Wu	12 July 2012 to 24 April 2014	8.48	300,000
	1 May 2013 to 24 April 2015	8.48	225,000
	1 May 2014 to 24 April 2016	8.48	225,000
			<hr/> 750,000
Wang Wen Jin	1 May 2013 to 24 April 2015	8.48	660,000
	1 May 2014 to 24 April 2016	8.48	660,000
			<hr/> 1,320,000

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 30 June 2013, none of the Directors 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

Other Information *(continued)*

SUBSTANTIAL SHAREHOLDERS

Apart from the interests or short positions of the Directors in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as disclosed in the section "Directors' Interests in Equity or Debt Securities", the register kept under section 336 of the SFO shows that as at 30 June 2013 the Company has been notified of the following interests or short positions in the shares of the Company:

Name of substantial shareholder	Long position/ short position	Capacity of interest	Total number of shares in which the shareholder is interested	Percentage of shareholding
China Vanke (Note 1)	Long position	Held by controlled corporations	194,763,966	75.0%
CITIC Securities Company Limited (Note 2)	Long position	Held by controlled corporations	23,100,000	8.90%

Notes:

1. As recorded in the Company's register to be kept in accordance with section 336 of the SFO (the "Register"), the 194,763,966 shares of the Company are held by China Vanke through Wkland Investments, which is an indirect wholly-owned subsidiary of China Vanke. Wkland Investments is a direct wholly-owned subsidiary of Wkland Limited. Wkland Limited is a direct wholly-owned subsidiary of Vanke HK. Vanke HK is a direct wholly-owned subsidiary of Shanghai Vanke Real Estate Company Limited. Shanghai Vanke Real Estate Company Limited is a direct wholly-owned subsidiary of Shanghai Vanke Investment and Management Company Limited. Shanghai Vanke Investment and Management Company Limited is a direct wholly-owned subsidiary of China Vanke.
2. As recorded in the Register, 11,400,000 shares of the Company are held by Dragon Stream Investment Limited and the remaining 11,700,000 shares of the Company are held by CSI Capital Management Limited. Both Dragon Stream Investment Limited and CSI Capital Management Limited are direct wholly-owned subsidiaries of CITIC Securities International Company Limited, which in turn is a wholly-owned subsidiary of CITIC Securities Company Limited.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

On 28 December 2012, WK Property Financial Limited as borrower and a bank as lender entered into a facility agreement (the "Facility Agreement") pursuant to which a term and revolving loan facility of up to an aggregate amount of HK\$600 million (the "Facility") with a final maturity date falling three years after the date of the Facility Agreement has been provided by the bank for the purpose of financing the general working capital requirements of any members of the Group. Pursuant to a guarantee executed by the Company in favor of the bank for its provision of the Facility, the Company has covenanted that Vanke HK shall own at least 51% of beneficial interest in the issued share capital of Future Best Developments Limited ("Future Best") throughout the life of the Facility. Future Best is a wholly-owned subsidiary of the Company and holds the entire issued share capital of WK Property Financial Limited. Failure to comply with this covenant will result in an event of default under the Facility Agreement.