vanke 万科

萬科置業(海外)有限公司

Vanke Property (Overseas) Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01036)

ANNOUNCEMENT OF UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

INTERIM RESULTS

The Board of Directors (the "**Board**") of Vanke Property (Overseas) Limited (the "**Company**" and together with its subsidiaries, the "**Group**") is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2017 (the "**Period**") as follows:

Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2017

		Unaudited	
		For the six months ended	
	Note	**30 June 2017**	30 June 2016
		HK\$'000	*HK\$'000*
Revenue	*3*	**46,903**	45,395
Cost of services		**(10,696)**	(10,798)
Gross profit		**36,207**	34,597
Other income	*4*	**156**	2,771
Administrative, leasing and marketing expenses		**(7,048)**	(6,052)
Increase in fair value of investment properties		**21,374**	35,300
Operating profit		**50,689**	66,616
Finance income	*5(a)*	**1,535**	970
Finance costs	*5(a)*	**–**	(21)
		52,224	67,565
Share of profit/(loss) of associates		**125**	(10)
Profit before taxation	*5*	**52,349**	67,555
Taxation charge	*6*	**(6,105)**	(5,549)
Profit and total comprehensive income for the period and attributable to shareholders of the Company		**46,244**	62,006
		HK\$	*HK\$*
Earnings per share — basic and diluted	*7*	**0.12**	0.16

Details of dividends paid and payable to shareholders of the Company are set out in note 8.

Consolidated Statement of Financial Position
At 30 June 2017

	Note	Unaudited At 30 June 2017 HK$'000	Audited At 31 December 2016 HK$'000
Non-current assets			
Plant and equipment		**264**	312
Investment properties	*9*	**1,726,290**	1,700,810
Interests in associates	*10*	**9,743**	484,036
Prepayments for additions to investment properties		**7,981**	2,095
Deferred tax assets		**–**	186
		1,744,278	2,187,439
Current assets			
Trade and other receivables	*11*	**5,030**	5,951
Deposit for land tendering		**–**	25,000
Amount due from an associate	*10*	**495,907**	–
Bank balances and cash		**716,297**	703,922
		1,217,234	734,873
Current liabilities			
Other payables and accruals	*12*	**(26,937)**	(26,412)
Amount due to an intermediate holding company		**(2,000)**	(2,008)
Tax payable		**(5,350)**	(2,453)
		(34,287)	(30,873)
Net current assets		**1,182,947**	704,000
Total assets less current liabilities		**2,927,225**	2,891,439
Non-current liabilities			
Deferred tax liabilities		**(34,520)**	(33,292)
NET ASSETS		**2,892,705**	2,858,147
CAPITAL AND RESERVES			
Share capital		**3,895**	3,895
Reserves		**2,888,810**	2,854,252
TOTAL EQUITY		**2,892,705**	2,858,147

Notes

1. GENERAL INFORMATION

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

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

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

The interim results set out in the announcement do not constitute the Group's interim report for the six months ended 30 June 2017 but are extracted from that report.

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 the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**").

The Interim Financial Information has been prepared in accordance with the same accounting policies adopted in the financial statements for the year ended 31 December 2016.

The HKICPA has issued several amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in the Interim Financial Information. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The preparation of the 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 contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

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

3. REVENUE AND SEGMENT INFORMATION

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.

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

Rental and property management:	The leasing of the Group's investment properties to earn rental and management fee income and to gain from the appreciation in properties' values in the long term
Property development and financing:	Share of the results of associates, which principal activities are property development and financing

The segment results are as follows:

For the six months ended 30 June 2017

	Rental and property management *HK$'000*	**Property development and financing** *HK$'000*	**Total** *HK$'000*
Revenue	**46,903**	**–**	**46,903**
Segment results before change in fair value of investment properties	**35,310**	**125**	**35,435**
Increase in fair value of investment properties	**21,374**	**–**	**21,374**
Segment results	**56,684**	**125**	**56,809**
Head office and corporate expenses (net of unallocated income)			**(5,995)**
Finance income			**1,535**
Profit before taxation			**52,349**
Taxation charge			**(6,105)**
Profit for the Period			**46,244**

For the six months ended 30 June 2016

	Rental and property management *HK$'000*	Property development and financing *HK$'000*	Total *HK$'000*
Revenue	45,395	–	45,395
Segment results before change in fair value of investment properties	36,464	(10)	36,454
Increase in fair value of investment properties	35,300	–	35,300
Segment results	71,764	(10)	71,754
Head office and corporate expenses (net of unallocated income)			(5,148)
Finance income			970
Finance costs			(21)
Profit before taxation			67,555
Taxation charge			(5,549)
Profit for the period			62,006

4. OTHER INCOME

	For the six months ended	
	30 June 2017	30 June 2016
	HK$'000	*HK$'000*
Compensation received from tenants on early lease termination	**96**	2,723
Others	**60**	48
	156	2,771

5. PROFIT BEFORE TAXATION

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

	For the six months ended	
	30 June 2017	30 June 2016
	HK$'000	*HK$'000*
(a) Finance income and costs		
Finance income		
— Interest income on bank deposits and bank balances	**(1,535)**	(970)
Finance costs		
— Interest expenses on amount due to an intermediate holding company	**–**	21
(b) Others		
Depreciation	**48**	48
Contributions to defined contribution plan	**53**	39
Salaries, wages and other benefits (including Directors' emoluments)	**4,034**	3,276
Rental receivables from investment properties less direct outgoings of HK$10,696,000 (six months ended 30 June 2016: HK$10,798,000)	**(36,207)**	(34,597)

6. TAXATION CHARGE

	For the six months ended	
	30 June 2017	30 June 2016
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**4,692**	4,039
Over-provision in prior years	**(1)**	(3)
	4,691	4,036
Deferred tax		
Origination and reversal of temporary differences	**1,414**	1,513
	6,105	5,549

Provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2016: 16.5%) on the estimated assessable profits for the Period.

Share of an associate's taxation charge of HK$1,000 (six months ended 30 June 2016: nil) is included in the results of associates for the Period.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of HK$46,244,000 (six months ended 30 June 2016: HK$62,006,000) and 389,527,932 shares (six months ended 30 June 2016: 389,527,932 shares) in issue during the Period.

Diluted earnings per share equals to the basic earnings per share as the Company had no dilutive potential shares in issue during the Period (six months ended 30 June 2016: nil).

8. DIVIDEND

(a) Dividend attributable to the interim period

The Directors do not recommend the payment of an interim dividend for the Period (six months ended 30 June 2016: nil).

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

	For the six months ended	
	30 June 2017	30 June 2016
	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 2016: HK$0.03) per share	**11,686**	11,686

9. INVESTMENT PROPERTIES

	At 30 June 2017	At 31 December 2016
	HK$'000	*HK$'000*
At 1 January	**1,700,810**	1,619,900
Additions	**4,106**	–
Fair value gain	**21,374**	80,910
At 30 June/ 31 December	**1,726,290**	1,700,810

Investment properties of the Group were revalued as at 30 June 2017. The valuations were carried out by an independent firm of surveyors, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, which has among its staff experienced Members of the Hong Kong Institute of Surveyors with recent experience in the location and category of the property being valued. The fair value of investment properties is determined by taking into account the net rental income of the property derived from the existing leases with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the market value at appropriate capitalisation rates, and with reference to the comparable sale transactions as available in the market.

10. INTERESTS IN ASSOCIATES

	At 30 June 2017 HK$'000	At 31 December 2016 HK$'000
Share of net assets	**3,427**	3,302
Amount due from an associate (non-current) *(note (b))*	**6,316**	480,734
	9,743	484,036
Amount due from an associate (current) *(note (b))*	**495,907**	–

Notes:

(a) The Group owns (1) 20% equity interest in Ultimate Vantage Limited ("**UVL**"), which has been granted the rights to develop the property project in the West Rail Tsuen Wan West Station (the "**TW6 Project**"); and (2) 20% equity interest in Gold Value Limited ("**GVL**"), which is engaged in the provision of mortgage loans to purchasers of TW6 Project.

(b) Amount due from associates comprises of:

(i) An amount of HK$495,907,000 due from UVL (31 December 2016: HK$480,734,000) which is unsecured, interest bearing at Hong Kong Interbank Offered Rate plus 2.2% per annum and has no fixed terms of repayment. As at 30 June 2017, the amount is expected to be recovered within one year and is therefore classified as current asset. As at 31 December 2016, the amount was expected to be recovered more than one year and was classified as non-current asset.

(ii) An amount of HK$6,316,000 due from GVL (31 December 2016: nil) which is unsecured, interest bearing at Hong Kong Dollar Prime Rate minus 2.1% per annum and has no fixed terms of repayment. The amount is expected to be recovered after one year.

(c) On 22 April 2014, a shareholders' agreement (the "**Shareholders' Agreement**") was entered into between, *inter alia,* the Company, Wkdeveloper Limited ("**Wkdeveloper**", a wholly-owned subsidiary of the Company and owns 20% equity interest in UVL), another shareholder of UVL, the parent of the another shareholder of UVL (the "**JV Partner**") and UVL to regulate the relationship of the shareholders of UVL inter se and the management of the affairs of UVL.

The Shareholders' Agreement contains a provision whereby the Company and the JV Partner agreed that a non-defaulting party would have the right to acquire all the interest in UVL represented by the defaulting party and its affiliates upon the occurrence of certain events of default. Such right is reciprocal, and no consideration was paid or is payable by the Company or the JV Partner for the grant by the other party of the above-mentioned right. Details of the transaction are disclosed in the Company's announcement dated 22 April 2014 and the Company's circular dated 15 May 2014.

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2017 HK$'000	At 31 December 2016 HK$'000
Trade receivables	**370**	1,009
Unamortised rent receivables	**1,928**	1,773
Other receivables	**82**	372
Other deposits	**2,511**	2,464
Prepayments	**139**	333
	5,030	5,951

Trade receivables represent rental receivables from tenants of the Group's investment properties. The Group maintains a defined credit 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, based on the date of revenue recognition, is as follows:

	At 30 June 2017 HK$'000	At 31 December 2016 HK$'000
0 to 30 days	**357**	954
31 to 90 days	**13**	55
	370	1,009

At 30 June 2017, none of the Group's trade receivables were individually determined to be impaired (31 December 2016: nil).

12. OTHER PAYABLES AND ACCRUALS

	At 30 June 2017 HK$'000	At 31 December 2016 HK$'000
Other payables	**2,462**	2,024
Deposits received	**22,998**	22,666
Accruals	**1,477**	1,722
	26,937	26,412

Except for the rental and other deposits received on properties of HK$11,158,000 (31 December 2016: HK$12,689,000) and other payables of HK$333,000 (31 December 2016: nil) which are expected to be settled after one year, all of the other payables and accruals are expected to be settled within one year or are repayable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's revenue is derived from the leasing of units and car parking spaces in Regent Centre. Revenue for the six months ended 30 June 2017 (the "**Period**") was HK$46.9 million (six months ended 30 June 2016: HK$45.4 million), representing an increase of 3%. The increase was mainly due to an increase in passing rent for the units in Regent Centre and carpark rental income during the Period.

The Group's investment in Regent Centre was fair valued at HK$1,726.3 million as at 30 June 2017 (31 December 2016: HK$1,700.8 million), representing an increase of 1%. There has been no change in the valuation methodology of the Group's investment properties, including the capitalisation rate. After netting off the additions to investment properties of HK$4.1 million, the fair value gain amounted to HK$21.4 million in the first half of the year (six months ended 30 June 2016: HK$35.3 million).

Excluding the change in fair value of Regent Centre, the Group's underlying profit for the Period was HK$24.9 million (six months ended 30 June 2016: HK$26.7 million), representing a decrease of 7%. The decrease was mainly due to an increase in administrative expenses and a decrease in compensation received from tenants on early lease termination.

Rental and property management

The Group's investment properties comprise various portions of Regent Centre (the "**Property**"), which is located at 63 Wo Yi Hop Road and 70 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong. The Group owns a total gross floor area of approximately 657,000 square feet, representing 64% of the total gross floor area in Regent Centre.

During the Period, the Group renewed a majority of the leases at a positive rental reversion. Occupancy of the Property remained at a high level of 93% as at 30 June 2017 (31 December 2016: 92%) with passing rent at HK$9.4 per square foot as at 30 June 2017 (31 December 2016: HK$9.4 per square foot). Apart from monthly rent, the tenants are responsible for payment of property management fee to the landlord, whose income has been accounted for as part of the revenue of the Group. Total revenue from the leasing of units and car parking spaces in Regent Centre was HK$46.9 million (six months ended 30 June 2016: HK$45.4 million).

Gross profit from operations for the Period was HK$36.2 million (six months ended 30 June 2016: HK$34.6 million) at a cost-to-revenue ratio of 23% (six months ended 30 June 2016: 24%). In October 2016, the Group commenced upgrading the air conditioning system in Regent Centre by replacing the existing air conditioning units with new ones using environmentally friendly refrigerants, which are more energy efficient and deliver a better cooling performance. The replacement works are scheduled for completion in 2017 at a budgeted expenditure of approximately HK$35.0 million.

Segment profit after deducting property management fees, carpark management expenses, leasing commission and other operating expenses but before change in fair value of the Property amounted to HK$35.3 million for the Period (six months ended 30 June 2016: HK$36.5 million). The decrease was mainly due to the decrease in compensation received from tenants on early lease termination.

Property development and financing

The Group's property under development is represented by investment in Ultimate Vantage Limited ("**Ultimate Vantage**"), a 20% associate of the Group. Ultimate Vantage is a special purpose vehicle established in January 2013 for the development of the West Rail Tsuen Wan West Station TW6 Property Development Project (the "**TW6 Project**"). The TW6 Project, also known as The Pavilia Bay, has received overwhelming response since the date of its first launch on 20 January 2017. Up to the date hereof, approximately 97% of the units have been pre-sold at gross proceeds of approximately HK$9.4 billion. The project, at the stage of superstructure, is currently estimated to be completed in August 2018.

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

The Group's total investment in Ultimate Vantage and Gold Value amounted to HK$505.6 million as at 30 June 2017 (31 December 2016: HK$484.0 million). The increase was mainly due to advances of HK$15.2 million for financing the property development, sales and marketing and other expenditure in the TW6 Project and advances of HK$6.3 million for the Provision of Mortgages.

The Group's share of profit of associates amounted to HK$125,000 for the Period (six months ended 30 June 2016: share of loss of HK$10,000). The increase was mainly due to income earned by Gold Value on the Provision of Mortgages.

Head office and corporate expenses

Head office and corporate expenses, net of unallocated income, were HK$6.0 million during the Period (six months ended 30 June 2016: HK$5.1 million). The increase was mainly due to an increase in staff costs and management fee payable to its intermediate holding company, Vanke Property (Hong Kong) Company Limited ("**Vanke HK**"), during the Period.

Finance income and costs

Net proceeds generated from the rights issue have been placed with banks to earn interest income since August 2015. Finance income for the Period amounted to HK$1.5 million (six months ended 30 June 2016: HK$1.0 million).

The Group applied part of the rights issue proceeds to fully repay the Group's bank borrowings on 28 December 2015. No new banking facilities have been arranged since then. As a result, the Group's finance costs were negligible in both periods.

FINANCIAL REVIEW

Rights issue

In August 2015, the Group raised net proceeds of HK$1,032.2 million through a rights issue on the basis of one rights share for every two existing shares of the Company held on 13 July 2015 at the subscription price of HK$8.04 per rights share (the "**Rights Issue**").

The net proceeds from the Rights Issue of HK$1,032.2 million was originally intended to be applied for acquiring a property under development located in the Wan Chai district of Hong Kong from China Vanke (the "**Potential Acquisition**"). After amicable negotiations, the Company and China Vanke did not reach an agreement to the proposed terms and conditions of the Potential Acquisition. As a result, the Board resolved not to proceed with the Potential Acquisition and to apply the remaining net proceeds of the Rights Issue, being HK$709.2 million after applying HK$323.0 million of the total net proceeds for repayment of the outstanding bank loan on 28 December 2015, for financing other property acquisition opportunities.

The Group subsequently identified various funding requirements. In view of the insufficient free cash on hand and the high cost or restricted use of other available sources of financing, the Group resolved to reallocate the use of the remaining net proceeds of the Rights Issue available for acquisition of land or property projects on 9 August 2016 and 5 June 2017 as follows:

(i) up to HK$65.0 million for funding sales and marketing expenses and other expenditure which are not covered by the permitted use of the banking facilities granted to Ultimate Vantage for financing the development of the TW6 Project (the "**TW6 Banking Facilities**");

(ii) up to HK$35.0 million for upgrading the air conditioning system in Regent Centre;

(iii) up to HK$350.0 million for the Provision of Mortgages through Gold Value; and

(iv) the remaining balance of HK$259.2 million for acquisition of land or property projects.

Purpose	Before reallocation *HK$ million*	After reallocation as announced on 9 August 2016 *HK$ million*	After reallocation as announced on 5 June 2017 *HK$ million*	Amount utilised as at 30 June 2017 *HK$ million*	Amount unutilised as at 30 June 2017 *HK$ million*
Land or property acquisition	709.2	609.2	259.2	–	259.2
Provision of Mortgages through Gold Value	–	–	350.0	(6.3)	343.7
Sales and marketing expenses and other expenditure not covered by permitted use of the TW6 Banking Facilities	–	65.0	65.0	(17.4)	47.6
Upgrading the air conditioning system in Regent Centre	–	35.0	35.0	(11.8)	23.2
Total	709.2	709.2	709.2	(35.5)	673.7

For details, please refer to the Company's announcements dated 24 December 2015, 13 January 2016, 9 August 2016 and 5 June 2017 relating to the change of use of the net proceeds from the Rights Issue.

Liquidity and financial resources

Equity attributable to shareholders of the Company amounted to HK$2,892.7 million as at 30 June 2017 (31 December 2016: HK$2,858.1 million). The increase was due to the profit attributable to the shareholders of the Company for the Period of HK$46.2 million less a payment of 2016 final dividend of HK$11.7 million.

The Group had no interest-bearing debts and undrawn banking facilities as at 30 June 2017 (31 December 2016: nil). The Group's bank balances and cash amounted to HK$716.3 million as at 30 June 2017 (31 December 2016: HK$703.9 million), of which HK$673.7 million (31 December 2016: HK$676.4 million) was attributable to remaining proceeds from the Rights Issue. The Group has reallocated part of the remaining proceeds from the Rights Issue for funding its foreseeable business needs. The Group's investment properties, which are debt free for the time being, can be leveraged into additional cash resources as and when required. Taking these into account, it is expected that the Group should have sufficient working capital for its current requirements.

Treasury policies

The Group operates in Hong Kong and all its assets and liabilities are denominated in Hong Kong dollars. As a result, it has no exposure to foreign exchange rate fluctuation.

The Group has no exposure to interest rate risks, as it does not have any interest-bearing debts for the time being.

Capital commitments

The Group had a commitment of HK$23.2 million as at 30 June 2017 (31 December 2016: HK$32.9 million) in respect of capital expenditure to be incurred in upgrading the air conditioning system in Regent Centre, of which HK$19.0 million (31 December 2016: HK$27.1 million) has been contracted for and HK$4.2 million (31 December 2016: HK$5.8 million) has been authorised but not contracted for.

Contingent liabilities and financial guarantees

The Group had the following contingent liabilities and financial guarantees as at 30 June 2017:

(i) A corporate guarantee of HK$960.0 million (31 December 2016: HK$960.0 million) to secure the TW6 Banking Facilities. The corporate guarantee was given on a several basis and in proportion to the Group's shareholding interest of 20% in Ultimate Vantage. Out of the total TW6 Banking Facilities of HK$4,800.0 million, HK$2,014.3 million (31 December 2016: HK$2,388.3 million) was utilised by Ultimate Vantage as at 30 June 2017. The provision of such guarantee constituted a major transaction to the Company under the Listing Rules and was approved by the controlling shareholder of the Company. For details, please refer to the Company's announcement dated 30 June 2014 and the Company's circular dated 22 July 2014.

(ii) Corporate guarantees in the aggregate amount of HK$568.0 million (31 December 2016: HK$568.0 million) to secure banking facilities granted to Ultimate Vantage for issuing letters of undertakings in favor of the Hong Kong Government in connection with the pre-sale application for the TW6 Project (the "**Finance Undertaking Facilities**"). The guarantees were given on a several basis and in proportion to the Group's shareholding interest of 20% in Ultimate Vantage. Out of the total Finance Undertaking Facilities of HK$2,840.0 million, HK$2,407.7 million (31 December 2016: HK$2,407.7 million) was utilised by Ultimate Vantage as at 30 June 2017. The provision of such guarantees constituted a major transaction to the Company under the Listing Rules and was approved by the controlling shareholder of the Company. For details, please refer to the Company's announcement dated 11 August 2016 and the Company's circular dated 12 September 2016.

Pledge of assets

There was no pledge on the Group's assets as at 30 June 2017 (31 December 2016: nil).

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

There were no other significant investments held, material acquisitions or disposals of subsidiaries and associates during the Period.

EMPLOYEES AND REMUNERATION POLICY

The Group had six employees as at 30 June 2017 (31 December 2016: six). As a result of the increase in the number of employees in May 2016 (31 December 2015: four), there was an increase in staff costs (including Directors' emoluments) to HK$4.0 million (six months ended 30 June 2016: HK$3.3 million) and an increase in management fee payable to Vanke HK to HK$1.2 million (six months ended 30 June 2016: HK$0.7 million) during the Period. The management fee payable to Vanke HK is charged on a cost basis in consideration of the administrative and management services provided to the Group.

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

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (six months ended 30 June 2016: nil).

OUTLOOK

The Hong Kong economy recorded a strong performance in the second quarter of 2017 with an annual growth in gross domestic product by 3.8%. The upturn in trade as benefited from the continual pick up of the global economic activities and the strong retail sales as benefited from a recovery of inbound tourism and solid domestic demand have driven up the leasing activities in Hong Kong. It is expected that the global economy will continue its pace of recovery into the second half of this year, despite uncertainties such as the outcome of the Brexit negotiations and the policy changes under the Donald Trump administration. Against this backdrop, it is expected that Regent Centre, the Group's investment properties in Hong Kong, will maintain a steady performance this year.

The residential housing prices in Hong Kong continue to rise, despite the latest measures from the government to cool down the market. The ultra-low interest rate environment, the healthy labour market reflecting an almost full state of employment and the increasing demand from the Mainland buyers are fuelling the rise of the residential properties. As a result, competition in government land tenders has been intense with land price more often than not beating the higher end of market expectations. Unfortunately, the Group fell short in all its previous attempts to acquire land through government tenders. In view of this, the Group will explore more property acquisition channels and diversify its targets with the objective of investing its cash resources in a cautious and disciplined manner.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Listing Rules during the Period, except for the following deviations:

Code provision A.2.1

Code provision A.2.1 stipulates that the roles of the chairman and the 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 set out in writing.

The Company has not appointed Chairman and Chief Executive since 1 September 2012. All duties of chairman and chief executive under code provisions A.2.2 to A.2.9 are shared between Mr. Zhang Xu and Ms. Que Dong Wu, the Executive Directors.

The Board considers that the current arrangement is adequate in view of the size and complexity of the Group's operation. The Board will consider appointing Chairman and Chief Executive at an appropriate stage when the Group has increased its 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.

During the Period, the Company Secretary reported to the Executive Directors, as the Company has no Chairman or Chief Executive.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

REVIEW OF INTERIM FINANCIAL INFORMATION

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

BOARD OF DIRECTORS

At the date of this announcement, the Directors of the Company are:

Executive Directors:
Mr. Zhang Xu, Ms. Que Dong Wu

Non-Executive Director:
Mr. Chan Chi Yu

Independent Non-Executive Directors (in alphabetical order):
Mr. Chan Wai Hei, William, Ms. Law Chi Yin, Cynthia, Mr. Shium Soon Kong

By order of the Board
Vanke Property (Overseas) Limited
Que Dong Wu
Executive Director

Hong Kong, 18 August 2017