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 2018

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 2018 (the "**Period**") as follows:

Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2018

		Unaudited For the six months ended	
	Note	**30 June 2018** *HK$'000*	30 June 2017 *HK$'000*
Revenue	*3*	**50,328**	46,903
Cost of services		**(10,705)**	(10,696)
Gross profit		**39,623**	36,207
Other income	*4*	**194**	156
Administrative, leasing and marketing expenses		**(6,336)**	(7,048)
Increase in fair value of investment properties		**136,005**	21,374
Operating profit		**169,486**	50,689
Finance income	*5(a)*	**7,440**	1,535
		176,926	52,224
Share of results of associates		**756**	125
Profit before taxation	*5*	**177,682**	52,349
Taxation charge	*6*	**(6,718)**	(6,105)
Profit and total comprehensive income for the period and attributable to shareholders of the Company		**170,964**	46,244
		HK$	*HK$*
Earnings per share — basic and diluted	*7*	**0.44**	0.12

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 2018

	Note	**Unaudited At 30 June 2018 *HK$'000***	Audited At 31 December 2017 *HK$'000*
Non-current assets			
Plant and equipment		**168**	216
Investment properties	*9*	**1,968,000**	1,830,000
Interests in associates	*10*	**246,932**	223,772
		2,215,100	2,053,988
Current assets			
Trade and other receivables	*11*	**6,056**	5,860
Deposit for land tendering		**50,000**	–
Amounts due from associates	*10*	**6,429**	148,884
Tax recoverable		**261**	2,759
Bank balances and cash		**1,278,730**	865,905
		1,341,476	1,023,408
Current liabilities			
Other payables and accruals	*12*	**(29,903)**	(34,667)
Amount due to an intermediate holding company		**(1,408)**	(2,277)
Amount due to an associate	*10*	**(321,316)**	–
Tax payable		**(3,391)**	(662)
		(356,018)	(37,606)
Net current assets		**985,458**	985,802
Total assets less current liabilities		**3,200,558**	3,039,790
Non-current liabilities			
Deferred tax liabilities		**(39,670)**	(38,180)
NET ASSETS		**3,160,888**	3,001,610
CAPITAL AND RESERVES			
Share capital		**3,895**	3,895
Reserves		**3,156,993**	2,997,715
TOTAL EQUITY		**3,160,888**	3,001,610

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., 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 2018 but are extracted from the 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 2017, except for the accounting policy changes that are expected to be reflected in the financial statements for the year ending 31 December 2018. Details of any changes in accounting policies are set out below.

The HKICPA has issued a number of new Hong Kong Financial Reporting Standards ("**HKFRSs**") and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, HKFRS 9, *Financial instruments* and HKFRS 15, *Revenue from contracts with customers* are relevant to the Group's financial statements.

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

HKFRS 9, Financial instruments

HKFRS 9 replaces the current standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. The Group has been impacted by HKFRS 9 in relation to measurement of impairment for financial assets.

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The application of the expected credit loss model will result in earlier recognition of credit losses, but with no material financial impact to the Group.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts,* which specifies the accounting for revenue from construction contracts.

Currently the Group's property development activities are carried out in Hong Kong by an associate only. The pre-sale of the only property project started in 2017 and the project is estimated to be completed in the second half of 2018. The Group has assessed that under the transfer-of-control approach in the new standard, revenue from property sales will be recognised when the legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Accordingly, there is no financial impact to the Interim Financial Information.

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 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 2017 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, this 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 that principal activities are property development and financing, the handling fee income and interest income from an associate

The segment results are as follows:

For the six months ended 30 June 2018

	Rental and property management *HK$'000*	**Property development and financing** *HK$'000*	**Total** *HK$'000*
Revenue	**50,328**	**–**	**50,328**
Segment results before change in fair value of investment properties	**38,869**	**4,261**	**43,130**
Increase in fair value of investment properties	**136,005**	**–**	**136,005**
Segment results	**174,874**	**4,261**	**179,135**
Head office and corporate expenses (net of unallocated income)			**(5,499)**
Finance income — bank interest income			**4,046**
Profit before taxation			**177,682**
Taxation charge			**(6,718)**
Profit for the Period			**170,964**

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 — bank interest income			1,535
Profit before taxation			52,349
Taxation charge			(6,105)
Profit for the period			46,244

4. OTHER INCOME

	For the six months ended	
	30 June 2018	30 June 2017
	HK$'000	*HK$'000*
Handling fee income	**111**	–
Compensation receivable from tenants on early lease termination	**32**	96
Others	**51**	60
	194	156

5. PROFIT BEFORE TAXATION

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

	For the six months ended	
	30 June 2018	30 June 2017
	HK$'000	*HK$'000*
(a) Finance income		
Interest income on bank deposits and bank balances	**(4,046)**	(1,535)
Interest income on an amount due from an associate	**(3,394)**	–
	(7,440)	(1,535)
(b) Others		
Depreciation	**56**	48
Contributions to defined contribution plan	**37**	53
Salaries, wages and other benefits (including Directors' emoluments)	**3,260**	4,034
Rental receivables from investment properties less direct outgoings of HK$10,705,000 (six months ended 30 June 2017: HK$10,696,000)	**(39,623)**	(36,207)

6. TAXATION CHARGE

	For the six months ended	
	30 June 2018	30 June 2017
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**5,228**	4,692
Over provision in prior years	**–**	(1)
	5,228	4,691
Deferred tax		
Origination and reversal of temporary differences	**1,490**	1,414
	6,718	6,105

Provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2017: 16.5%) on the estimated assessable profits for the Period.

Share of associates' taxation charge of HK$8,000 (six months ended 30 June 2017: HK$1,000) is included in the results of associates for the Period.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of HK$170,964,000 (six months ended 30 June 2017: HK$46,244,000), and 389,527,932 shares (six months ended 30 June 2017: 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 2017: 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 2017: nil).

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

	For the six months ended	
	30 June 2018	30 June 2017
	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 2017: HK$0.03) per share	**11,686**	11,686

9. INVESTMENT PROPERTIES

	At 30 June 2018	At 31 December 2017
	HK$'000	*HK$'000*
At 1 January	**1,830,000**	1,700,810
Additions	**1,995**	28,220
Fair value gain	**136,005**	100,970
At 30 June/31 December	**1,968,000**	1,830,000

Investment properties of the Group were revalued as at 30 June 2018. 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 AND AMOUNTS DUE FROM/TO ASSOCIATES

	At 30 June 2018	At 31 December 2017
	HK$'000	*HK$'000*
Share of net assets	**4,104**	3,348
Amount due from an associate (non-current) *(note (a))*	**242,828**	220,424
	246,932	223,772
Amounts due from associates (current) *(note (a))*	**6,429**	148,884
Amount due to an associate (current) *(note (a))*	**(321,316)**	–

Notes:

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

(i) An amount due to Ultimate Vantage Limited ("**UVL**") of HK$321,316,000 at 30 June 2018 is unsecured, interest-free and has no fixed term of repayment. The amount due from UVL of HK$142,683,000 as at 31 December 2017 was unsecured, interest-bearing at Hong Kong Interbank Offered Rate ("**HIBOR**") plus 2.2% per annum and recovered in full during the Period.

(ii) An amount due from Gold Value Limited ("**GVL**") of HK$249,257,000 (31 December 2017: HK$226,625,000) is unsecured and interest-bearing at Hong Kong Prime Rate minus 2.1% per annum. The amount of HK$6,429,000 (31 December 2017: HK$6,201,000) is expected to be recovered within one year, while the remaining amount of HK$242,828,000 (31 December 2017: HK$220,424,000) will be recovered after one year.

(b) UVL is the holder of the rights to the development of the West Rail Tsuen Wan West Station TW6 Project Development (the "**TW6 Project**" and also known as "**The Pavilia Bay**"). The Group also owns 20% equity interest in GVL, which is engaged in the provision of mortgage loans to purchasers of TW6 Project.

(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 "**JV Partner Subsidiary**"), the parent of the JV Partner Subsidiary (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 2018 *HK$'000*	At 31 December 2017 *HK$'000*
Trade receivables	**867**	735
Unamortised rent receivables	**1,338**	1,913
Other receivables	**928**	409
Deposits	**2,655**	2,529
Prepayments	**268**	274
	6,056	5,860

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 2018 *HK$'000*	At 31 December 2017 *HK$'000*
0 to 30 days	**730**	717
31 to 90 days	**137**	18
	867	735

At 30 June 2018, none of the Group's trade receivables were individually determined to be impaired (31 December 2017: nil).

12. OTHER PAYABLES AND ACCRUALS

	At 30 June 2018 *HK$'000*	At 31 December 2017 *HK$'000*
Other payables	**1,540**	1,502
Deposits received	**24,452**	23,934
Accruals	**3,911**	9,231
	29,903	34,667

Except for the rental and other deposits received on properties of HK$14,072,000 (31 December 2017: HK$9,441,000) which are expected to be settled after one year, all of the other payables, rental and other deposits received and accruals are expected to be settled within one year or 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 2018 (the "**Period**") was approximately HK$50.3 million (six months ended 30 June 2017: HK$46.9 million), representing an increase of approximately 7%. The increase was mainly due to the improved occupancy and the increase in passing rent for the units in Regent Centre during the Period.

The Group's investment in Regent Centre was fair valued at approximately HK$1,968.0 million as at 30 June 2018 (31 December 2017: HK$1,830.0 million), representing an increase of approximately 8%. There has been no change in the valuation methodology of the Group's investment properties. After netting off the additions to investment properties of approximately HK$2.0 million, the fair value gain amounted to approximately HK$136.0 million for the Period (six months ended 30 June 2017: HK$21.4 million).

Excluding the change in fair value of Regent Centre, the Group's underlying profit for the Period was approximately HK$35.0 million (six months ended 30 June 2017: HK$24.9 million), representing an increase of approximately 41%. The increase was mainly due to an increase in revenue from the Group's rental and property management business and interest income.

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 98% as at 30 June 2018 (31 December 2017: 97%) with passing rent at HK$9.7 per square foot as at 30 June 2018 (31 December 2017: HK$9.5 per square foot). Apart from monthly rent, the tenants are responsible for payment of property management fee to the landlord, whose income has been accounted for as part of the revenue of the Group. Total revenue from the leasing of units and car parking spaces in Regent Centre was approximately HK$50.3 million (six months ended 30 June 2017: HK$46.9 million).

Gross profit from operations for the Period was approximately HK$39.6 million (six months ended 30 June 2017: HK$36.2 million) at a cost-to-revenue ratio of approximately 21% (six months ended 30 June 2017: 23%). 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 have been completed in the first quarter of 2018 and the total expenditure is approximately HK$31.0 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 approximately HK$38.9 million for the Period (six months ended 30 June 2017: HK$35.3 million). The increase was mainly due to the increase in gross profit from operation.

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 registrations of intent of purchase since the date of its first launch on 20 January 2017. Up to 16 August 2018, approximately 99% of the units have been pre-sold at gross proceeds of approximately HK$9.9 billion. The TW6 Project is currently estimated to be completed in the second half of 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**"). Financing for the business of Gold Value is provided by the Group and the TW6 Partner by way of interest-bearing shareholder's loans on a several basis and in proportion to each of the parties' shareholding interest in Gold Value.

The Group's total investment in Ultimate Vantage and Gold Value (collectively, the "**Associates**"), comprising the share of net assets of the Group in the Associates as well as amounts due from the Associates, amounted to approximately HK$253.4 million as at 30 June 2018 (31 December 2017: HK$372.7 million). The decrease in total investment of the Group during the Period was mainly due to the repayment of amount due from Ultimate Vantage of approximately HK$142.7 million (out of the sales proceeds received by Ultimate Vantage on the TW6 Project), and partial repayment of amount due from Gold Value of approximately HK$8.9 million (out of the repayment of mortgages by the buyers of the TW6 Project to Gold Value) (collectively, "**Associates' Payments**"). During the Period, the Group has also granted additional advances to Gold Value of approximately HK$31.5 million for the Provision of Mortgages, and received advances from Ultimate Vantage of approximately HK$321.3 million, being advances from Ultimate Vantage to all its shareholders in proportionate to their respective shareholdings.

Segment profit amounted to approximately HK$4.3 million for the Period (six months ended 30 June 2017: HK$125,000), mainly due to share of profit of associates, handling fee for the provision of and interest on advances granted to Gold Value.

The Group's share of profit of associates amounted to approximately HK$756,000 for the Period (six months ended 30 June 2017: HK$125,000). The increase was mainly due to interest income earned by Ultimate Vantage during the Period.

Head office and corporate expenses

Head office and corporate expenses, net of unallocated income, were approximately HK$5.5 million during the Period (six months ended 30 June 2017: HK$6.0 million). The decrease was mainly due to the decrease in staff costs during the Period.

Finance income

Remaining net proceeds generated from the Rights Issue (as defined below) and a portion of Associates' Payments have been placed with banks to earn interest income during the Period. Finance income for the Period amounted to approximately HK$7.4 million (six months ended 30 June 2017: HK$1.5 million), comprising interest income on bank deposits and bank balances which increased from approximately HK$1.5 million for the period end 30 June 2017 to approximately HK$4.0 million for the period end 30 June 2018 primarily due to the increase in bank interest rates and the increase in bank balances, and interest income on shareholders' loans due from Gold Value amounted to approximately HK$3.4 million (six months ended 30 June 2017: nil).

Events after the reporting period

There have been no matters that have occurred subsequent to the reporting date which have significantly affected, or may significantly affect the Group's operations, results or state of affairs.

FINANCIAL REVIEW

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**"). After applying HK$323.0 million out of such proceeds to repay bank loans in December 2015, there remains HK$709.2 million for the Group's utilisation.

As announced by the Company on 26 February 2018, the net proceeds from the Rights Issue has been or is intended by the Company to be utilized as follows:

Purpose	As announced on 26 February 2018 *HK$ million*	Amount utilised as at 30 June 2018 *HK$ million*	Amount unutilised as at 30 June 2018 *HK$ million*
Land or property acquisition	393.2	–	393.2
Provision of Mortgages through Gold Value	243.0	(243.0)	–
Sales and marketing expenses and other expenditure not covered by permitted use of the TW6 Banking Facilities	46.0	(46.0)	–
Upgrading the air conditioning system in Regent Centre	27.0	(27.0)	–
Total	709.2	(316.0)	393.2

There has been no material change in the proposed use of proceeds as disclosed in the announcement of the Company on 26 February 2018. The Group intends to apply the remaining net proceeds for the acquisition of land or property when suitable opportunities arise.

Liquidity and financial resources

Equity attributable to shareholders of the Company amounted to approximately HK$3,160.9 million as at 30 June 2018 (31 December 2017: HK$3,001.6 million). The increase was due to the profit attributable to the shareholders of the Company for the Period of approximately HK$171.0 million less a payment of 2017 final dividend of approximately HK$11.7 million.

The Group had no interest-bearing debts and undrawn banking facilities as at 30 June 2018 (31 December 2017: nil). The Group's bank balances and cash amounted to approximately HK$1,278.7 million as at 30 June 2018 (31 December 2017: HK$865.9 million), of which approximately HK$393.2 million (31 December 2017: HK$413.4 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 future acquisition of land or property projects. 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 no significant capital commitments as at 30 June 2018. As at 31 December 2017, the Group had a commitment of approximately HK$6.8 million in respect of capital expenditure to be incurred in upgrading the air conditioning system in Regent Centre, of which approximately HK$2.8 million has been contracted for and approximately HK$4.0 million has been authorised but not contracted for.

Contingent liabilities and financial guarantees

The Group had no outstanding contingent liabilities and financial guarantees as at 30 June 2018 (31 December 2017: nil).

Pledge of assets

There was no pledge on the Group's assets as at 30 June 2018 (31 December 2017: 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 four employees as at 30 June 2018 (31 December 2017: six). As a result of the decrease in the number of employees, there was a decrease in staff costs (including Directors' emoluments) to approximately HK$3.2 million (six months ended 30 June 2017: HK$4.0 million) during the Period.

Vanke Property (Hong Kong) Company Limited ("**Vanke HK**") provides administrative and management support to the Group on a cost basis. Total fee payable to Vanke HK amounted to approximately HK$1.3 million during the Period (six months ended 30 June 2017: HK$1.2 million), with the increase mainly attributable to the increase in office overhead expenses.

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 2017: nil).

OUTLOOK

Hong Kong property price recorded a significant increase in the first half of 2018. As a result, the Hong Kong government has recently proposed new measures to cool down the property market including levying a vacancy tax for unoccupied first-hand residential units, increase in public housing supply and imposing conditions of minimum units available for pre-sale through the pre-sale consent scheme.

The escalation of trade war between US and China and the trend of interest rate hike, together with the new housing measures as set out above, have caused uncertainties on the economy and property market in Hong Kong. Therefore, the market sentiment will probably be cooler in the second half of 2018 than the first half, and the property price will remain relatively stable in the second half of 2018. While the Group will continue to seek opportunities in both Hong Kong and overseas property markets for business diversification and expansion, it will be cautious when approaching suitable targets.

The Group's investment property in Hong Kong, Regent Centre, is expected to maintain at current high occupancies and passing rent in the second half of 2018. In addition, the completed flats of the TW6 Project are expected to be handed over to the buyers in 2018. Thus, the Group expects to record a substantial share of profits from TW6 Project in the second half of 2018.

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 of the Board 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 the 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, 17 August 2018