

vanke

Vanke Property (Overseas) Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01036)

2018

Interim Report

For the six months ended 30 June 2018



This interim report is printed on environmentally friendly paper

Corporate Information

BOARD OF DIRECTORS

Executive Directors

ZHANG Xu
QUE Dong Wu

Non-Executive Director

CHAN Chi Yu

Independent Non-Executive Directors

CHAN Wai Hei, William
LAW Chi Yin, Cynthia
SHIUM Soon Kong

AUDIT COMMITTEE

CHAN Wai Hei, William (*Chairman*)
CHAN Chi Yu
LAW Chi Yin, Cynthia

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

LAW Chi Yin, Cynthia (*Chairman*)
ZHANG Xu
SHIUM Soon Kong

COMPANY SECRETARY

LUK Chi Chung Peter (resigned with effect from
29 January 2018)
LAI Ivy (appointed with effect from 29 January 2018)

AUDITOR

KPMG

LEGAL ADVISORS TO THE COMPANY

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

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

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Management Discussion and Analysis

BUSINESS REVIEW

The revenue of Vanke Property (Overseas) Limited (the “Company”) together with its subsidiaries (collectively, the “Group”) 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.

Management Discussion and Analysis *(continued)*

BUSINESS REVIEW *(continued)*

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: 0.1 million), 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 0.8 million for the Period (six months ended 30 June 2017: 0.1 million). 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.

Management Discussion and Analysis *(continued)*

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 remained HK\$709.2 million for the Group's utilisation.

As disclosed in the announcement of the Company dated 26 February 2018, the Group resolved to reallocate the use of all remaining net proceeds of the Right Issue at as such date for acquisition of land or property projects. During the Period, the net proceeds from the Rights Issue has been or is intended by the Company to be utilised as follows:

Purpose	Aggregate amount unutilised as of 1 January 2018	Amount utilised during the period	Reallocation on 26 February 2018	Aggregate amount unutilised as at 30 June 2018	Aggregate amount utilised as at 30 June 2018
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Land or property acquisition	259	–	134	393	–
Provision of Mortgages through Gold Value	122	(15)	(107)	–	(243)
Sales and marketing expenses and other expenditure not covered by permitted use of the TW6 Banking Facilities	19	–	(19)	–	(46)
Upgrading the air conditioning system in Regent Centre	13	(5)	(8)	–	(27)
Total	413	(20)	–	393	(316)

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). As such, the Group's net gearing ratio (calculated based on the total interest-bearing debt net of bank balances and cash divided by total equity) as at 30 June 2018 is nil (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.

Management Discussion and Analysis *(continued)*

FINANCIAL REVIEW *(continued)*

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).

Management Discussion and Analysis *(continued)*

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.

On behalf of the Board

Zhang Xu

Director

Hong Kong, 17 August 2018

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 20 which comprises the consolidated statement of financial position of Vanke Property (Overseas) Limited as of 30 June 2018 and the related consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six months 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 2018 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

17 August 2018

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018 — unaudited

	Note	For the six months ended	
		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

The notes on pages 12 to 20 form part of this interim financial information. 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

		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	13	(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

The notes on pages 12 to 20 form part of this interim financial information.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018 — unaudited

	Attributable to shareholders of the Company			
	Share capital HK\$'000	Share premium HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1 January 2018	3,895	1,030,877	1,966,838	3,001,610
Changes in equity for the six months ended 30 June 2018:				
Profit and total comprehensive income for the period	–	–	170,964	170,964
Final dividend approved in respect of the previous year (<i>note 8(b)</i>)	–	–	(11,686)	(11,686)
At 30 June 2018	3,895	1,030,877	2,126,116	3,160,888
At 1 January 2017	3,895	1,030,877	1,823,375	2,858,147
Changes in equity for the six months ended 30 June 2017:				
Profit and total comprehensive income for the period	–	–	46,244	46,244
Final dividend approved in respect of the previous year (<i>note 8(b)</i>)	–	–	(11,686)	(11,686)
At 30 June 2017	3,895	1,030,877	1,857,933	2,892,705

The notes on pages 12 to 20 form part of this interim financial information.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2018 — unaudited

	For the six months ended	
	30 June 2018 HK\$'000	30 June 2017 HK\$'000
Operating activities		
Net cash (used in)/generated from operations	(16,583)	55,765
Hong Kong Profits Tax paid	–	(1,794)
Net cash (used in)/generated from operating activities	(16,583)	53,971
Investing activities		
Prepayments for additions to investment properties	–	(5,886)
Payments for additions to investment properties	(7,197)	(4,106)
Bank interest received	3,530	1,571
Interest received from an associate	3,394	–
Repayment from associates	151,594	–
Advance from an associate	321,316	–
Advances to associates	(31,543)	(21,489)
Net cash generated from/(used in) investing activities	441,094	(29,910)
Financing activity		
Dividends paid	(11,686)	(11,686)
Net cash used in financing activity	(11,686)	(11,686)
Net increase in cash and cash equivalents	412,825	12,375
Cash and cash equivalents at beginning of the period	865,905	703,922
Cash and cash equivalents at end of the period	1,278,730	716,297
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	1,278,730	716,297

The notes on pages 12 to 20 form part of this interim financial information.

Notes to the Unaudited Interim Financial Information

1 GENERAL INFORMATION

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

The Board of Directors of the Company 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 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.

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

2 SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

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. KPMG's independent review report to the Board of Directors is included on page 7 of the Interim Financial Information. 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

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

3 REVENUE AND SEGMENT INFORMATION *(continued)*

The segment results are as follows:

For the six months ended 30 June 2018 (the "Period")

	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

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

4 OTHER INCOME

	For the six months ended	
	30 June 2018	30 June 2017
	HK\$'000	HK\$'000
Handling fee income	111	–
Compensation received 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)

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

6 TAXATION CHARGE

	For the six months ended	
	30 June 2018 HK\$'000	30 June 2017 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).

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

8 DIVIDEND *(continued)*

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

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

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

10 INTERESTS IN ASSOCIATES AND AMOUNTS DUE FROM/TO ASSOCIATES *(continued)*

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 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

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

11 TRADE AND OTHER RECEIVABLES *(continued)*

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.

13 AMOUNT DUE TO AN INTERMEDIATE HOLDING COMPANY

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

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

14 CAPITAL COMMITMENTS

Capital commitments outstanding at 30 June 2018 not provided for in the Interim Financial Information were as follows:

	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
Contracted for	–	2,755
Authorised but not contracted for	–	4,024
	–	6,779

15 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 in its ordinary course of business during the Period:

	For the six months ended 30 June 2018 HK\$'000	30 June 2017 HK\$'000
Management and administrative fee payable to an intermediate holding company <i>(note (a))</i>	(1,284)	(1,185)
Key management compensation <i>(note (b))</i>	(1,238)	(2,403)

Notes:

- (a) Management and administrative fee is charged at terms agreed by both parties. The details of the amount due to the intermediate holding company are set out in note 13.
- (b) Key management personnel represent the Directors and senior management of the Company.

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 HKICPA, 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 (the "CG 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 set out in writing.

The Company has not appointed Chairman of the Board of Directors (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 operations. The Board will consider appointing Chairman and Chief Executive at an appropriate stage when the Group has increased 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.

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.

Other Information *(continued)*

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.

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

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 2017, 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 2018, 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 Hong Kong Stock Exchange pursuant to the Model Code were as follows:

Interests in an associated corporation, China Vanke Co., Ltd ("China Vanke")

Name of Director	Type of shares	Number of ordinary shares held					Total interests	Percentage of issued share capital <i>(Note)</i>
		Interest held as beneficial owner	Interest held by spouse	Interest held by controlled corporations	Other interests	Number of underlying shares held under equity derivatives		
Zhang Xu	A shares	904,039	–	–	–	–	904,039	0.009%
Que Dong Wu	A shares	150,700	–	–	–	–	150,700	0.002%
Chan Chi Yu	H shares	–	–	500,203	–	–	500,203	0.038%

Note: The total number of ordinary A shares of China Vanke in issue as at 30 June 2018 was 9,724,196,533 and the total number of ordinary H shares of China Vanke in issue as at 30 June 2018 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.

All the interests in the shares disclosed under this section represent long position in the shares of the associated corporations of the Company. Save as disclosed herein, as at 30 June 2018, none of the Directors or any of their spouses or children aged under eighteen years of age 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 Hong Kong Stock Exchange pursuant to the Model Code.

Other Information *(continued)*

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Pursuant to a business partnership scheme adopted by China Vanke in 2014, certain employees of the China Vanke Group have been admitted as business partners entrusting part of their bonuses into a collective account for investment management by Shenzhen Ying'an Financial Advisory Limited, including the introduction of leveraged finance for investment. All business partners in the scheme have undertaken that the collective bonuses and derivative assets will be centralised under closed-end management, without any payment to specific individuals, before the release of the contingent obligation requiring the return of the collective bonuses. An investment management and holding agreement was executed by all business partners. Mr. Zhang Xu and Ms. Que Dong Wu are beneficiaries in the scheme.

Save for the above, 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.

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 (the "Register") shows that as at 30 June 2018 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	292,145,949	75.0%
CITIC Securities Company Limited (Note 2)	Long position	Held by controlled corporations	30,080,000	7.72%

Notes:

- As recorded in the Register, the 292,145,949 ordinary shares of the Company are held by China Vanke through Wkland Investments Company Limited ("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.
- As recorded in the Register, the 30,080,000 ordinary shares of the Company are held by CSI Capital Management Limited, which is a direct wholly-owned subsidiary of CITIC Securities International Company Limited, which in turn is a direct wholly-owned subsidiary of CITIC Securities Company Limited.

Other Information *(continued)*

PUBLICATION OF INTERIM REPORT

The interim report in both English and Chinese is available in printed form and on the website of the Company at www.vankeoverseas.com and the website of the Hong Kong Stock Exchange at www.hkexnews.hk. Shareholders may at any time change their means of receiving corporate communications of the Company (in hard copy or through electronic means) free of charge by giving reasonable notice in writing to the Company's Hong Kong Share Registrar or by email to vankeoverseas.ecom@computershare.com.hk.