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萬科海外投資控股有限公司

VANKE OVERSEAS INVESTMENT HOLDING COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01036)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

RESULTS

The Board of Directors (the “**Board**”) of Vanke Overseas Investment Holding Company Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) is pleased to announce the consolidated results of the Group for the year ended 31 December 2020 as follows:

Consolidated Statement of Profit or Loss

For the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Revenue	3	474,524	251,477
Cost of services		(169,243)	(79,153)
Gross profit		305,281	172,324
Other income	4	848	432
Administrative and other operating expenses		(24,449)	(34,909)
Net (decrease)/increase in fair value of investment properties	9	(56,173)	943
Operating profit		225,507	138,790
Finance income	5(a)	8,145	24,772
Finance costs	5(b)	(38,578)	(22,545)
Share of results of associates		8,259	16,823
Profit before taxation	5	203,333	157,840
Income tax	6	(17,607)	(24,491)
Profit for the year		185,726	133,349
Attributable to:			
Shareholders of the company		185,746	133,363
Non-controlling interests		(20)	(14)
Profit for the year		185,726	133,349
		HK\$	HK\$
Earnings per share — basic and diluted	8	0.48	0.34

Details of dividends paid and payable to shareholders of the Company attributable to the profit for the year are set out in note 7.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2020

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	185,726	133,349
Other comprehensive income for the year:		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of the financial statements of overseas subsidiaries	<u>(3,414)</u>	<u>(800)</u>
Total comprehensive income for the year	<u>182,312</u>	<u>132,549</u>
Attributable to:		
Shareholders of the Company	182,329	132,558
Non-controlling interests	<u>(17)</u>	<u>(9)</u>
Total comprehensive income for the year	<u>182,312</u>	<u>132,549</u>

Consolidated Statement of Financial Position
At 31 December 2020

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Investment properties	9	3,127,531	3,153,973
Property, plant and equipment		640,299	604,753
Interests in associates	10	375,854	453,786
Other non-current assets	11	42,305	49,724
Investment instruments	12	598,488	–
		<u>4,784,477</u>	<u>4,262,236</u>
Current assets			
Trade and other receivables	11	103,622	82,827
Investment instruments	12	–	525,131
Tax recoverable		2,546	1,895
Bank balances and cash		610,851	450,893
		<u>717,019</u>	<u>1,060,746</u>
Current liabilities			
Other payables and accruals	13	(228,900)	(234,053)
Loan from an intermediate holding company		–	(424,600)
Bank loan	14	(10,662)	(10,357)
Lease liabilities		(11,197)	(2,583)
Tax payable		(13,229)	(22,915)
		<u>(263,988)</u>	<u>(694,508)</u>
Net current assets		<u>453,031</u>	<u>366,238</u>
Total assets less current liabilities		<u>5,237,508</u>	<u>4,628,474</u>

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
Non-current liabilities			
Bank loans	<i>14</i>	(1,221,041)	(761,580)
Lease liabilities		(58,792)	(58,879)
Deferred tax liabilities		(45,887)	(43,481)
		<u>(1,325,720)</u>	<u>(863,940)</u>
NET ASSETS		<u>3,911,788</u>	<u>3,764,534</u>
CAPITAL AND RESERVE			
Share capital		3,895	3,895
Reserves		3,907,643	3,760,372
Total equity attributable to shareholders of the Company		3,911,538	3,764,267
Non-controlling interests		250	267
TOTAL EQUITY		<u>3,911,788</u>	<u>3,764,534</u>

Notes

1. GENERAL INFORMATION

Vanke Overseas Investment Holding Company Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) is a limited liability company incorporated in the Cayman Islands whose 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 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 asset management, property development and property investment.

The Board considers the immediate holding company and the ultimate holding company to be Wkland Investments Company Limited and China Vanke Co., Ltd.. Wkland Investments Company Limited is a company incorporated in the British Virgin Islands with limited liability, while China Vanke Co., Ltd. is 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. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements for the year ended 31 December 2020 comprise the Group and its interest in associates. The consolidated results set out in this announcement do not constitute the Group’s consolidated financial statements for the year ended 31 December 2020 but are extracted from those financial statements.

The financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“**IASs**”) and Interpretations issued by the International Accounting Standards Board (“**IASB**”). As Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), and accounting principles generally accepted in Hong Kong, are derived from and consistent with IFRSs, the financial statements also comply with HKFRSs. The financial statements also comply with the requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Although HKFRSs have been fully converged with IFRSs in all material respects since 1 January 2005, the financial statements are the first issued annual financial statements in which the Group makes an explicit and unreserved statement of compliance with IFRSs. Therefore, in preparing the financial statements management has given due consideration to the requirements of IFRS 1, *First-time Adoption of International Financial Reporting Standards*. For this purpose, the date of the Group’s transition to IFRSs was determined to be 1 January 2019, being the beginning of the earliest period for which the Group presents full comparative information in the financial statements.

With due regard to the Group's accounting policies in previous periods and the requirements of IFRS 1, management has concluded that no adjustments were required to the amounts reported under HKFRSs as at the date of transition to IFRSs or in respect of the year ended 31 December 2019. Accordingly, the financial statements continue to include a statement of compliance with HKFRSs as well as including for the first time a statement of compliance with IFRSs, without adjustment to the Group's financial position, the Group's financial performance or cash flows either at the date of transition to IFRSs or at the end of the latest period presented in accordance with HKFRSs.

The IASB has issued a number of amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. The equivalent new and revised HKFRSs consequently issued by the HKICPA as a result of these developments have the same effective date as those issued by the IASB and are in all material aspects identical to the pronouncements issued by the IASB.

None of these amendments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

3 REVENUE AND SEGMENT INFORMATION

(a) Revenue recognised during the year is as follows:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Revenue from contracts with customers within the scope of HKFRS 15 recognised over time</i>		
Property management fee income	16,561	15,651
Asset management fee income	237,334	82,898
<i>Revenue from other sources</i>		
Rental income from investment properties	136,160	111,490
Interest income on investment instruments	84,469	41,438
	<u>474,524</u>	<u>251,477</u>

(b) Segment reporting

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 mainly head office and corporate expenses (net of unallocated income), finance income – bank interest income and income tax.

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 three segments:

Property investment:	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:	Share of the results of associates that principal activities are property development and financing, interest income from an associate and interest income on investment instruments
Asset management:	Asset management fee income from the provision of asset management services

Segment assets principally comprise all non-current assets and current assets directly attributable to each segment except for property, plant and equipment (excluding property under redevelopment and other properties leased for own use), other receivables, other deposits, prepayments, tax recoverable and bank balances and cash. No segment liabilities analysis is presented as the Group monitors and manages its liabilities on a group basis.

Revenue from customers which accounts for 10% or more of the Group's revenue are set out below:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Property development segment — Customer A	84,469	41,438
Asset management segment — entities controlled by the ultimate holding company	237,334	82,898

Operating segments

The segment results are as follows:

For the year ended 31 December 2020

	Property investment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>152,721</u>	<u>84,469</u>	<u>237,334</u>	<u>474,524</u>
Segment results before changes in fair value of investment properties	86,877	97,296	90,292	274,465
Decrease in fair value of investment properties	<u>(56,173)</u>	–	–	<u>(56,173)</u>
Segment results	30,704	97,296	90,292	218,292
Head office and corporate expenses (net of unallocated income)				(18,236)
Finance income — bank interest income				<u>3,277</u>
Profit before taxation				203,333
Income tax				<u>(17,607)</u>
Profit for the year				<u>185,726</u>

For the year ended 31 December 2019

	Property investment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>127,141</u>	<u>41,438</u>	<u>82,898</u>	<u>251,477</u>
Segment results before changes in fair value of investment properties	80,921	64,993	25,686	171,600
Net increase in fair value of investment properties	<u>943</u>	–	–	<u>943</u>
Segment results	81,864	64,993	25,686	172,543
Head office and corporate expenses (net of unallocated income)				(32,482)
Finance income — bank interest income				<u>17,779</u>
Profit before taxation				157,840
Income tax				<u>(24,491)</u>
Profit for the year				<u>133,349</u>

Total assets by segment

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Property investment	3,183,462	3,213,771
Property development	1,601,562	1,580,950
Asset management	78,089	42,873
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Segment assets	4,863,113	4,837,594
Property, plants and equipment	504	122
Other receivables	24,482	32,478
Tax recoverable	2,546	1,895
Bank balances and cash	610,851	450,893
	<hr/>	<hr/>
Total assets	5,501,496	5,322,982
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Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's investment properties, property under redevelopment, other properties leased for own use, interests in associates, other non-current assets and investment instruments ("**specified non-current assets**"). The geographical location of customers is based on the location at which the services were provided. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of investment properties, property under redevelopment and other properties leased for own use, the location of the operation to which it is allocated, in the case of other non-current assets and investment instruments, and the location of operations, in the case of interests in associates.

	Revenue from external customers		Specific non-current assets	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	214,624	120,213	2,830,475	2,900,587
United Kingdom	64,357	32,945	1,165,376	1,199,237
United States	195,543	98,319	788,122	162,290
	<hr/>	<hr/>	<hr/>	<hr/>
Total	474,524	251,477	4,783,973	4,262,114
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

4 OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Compensation received from tenants on early lease termination	182	315
Management fee income	539	–
Others	127	117
	<u>848</u>	<u>432</u>

5 PROFIT BEFORE TAXATION

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(a) Finance income		
Interest income on bank deposits and bank balances	(3,277)	(17,779)
Interest income on an amount due from an associate	(4,868)	(6,993)
	<u>(8,145)</u>	<u>(24,772)</u>
(b) Finance costs		
Interest expenses on bank loans	22,483	10,321
Interest expense on a loan from an intermediate holding company	7,902	8,672
Interest expense on lease liabilities	5,489	2,925
Other borrowing costs	2,704	627
	<u>38,578</u>	<u>22,545</u>
(c) Staff costs (including directors' emoluments)		
Contributions to defined contribution plan	3,551	1,230
Salaries, wages and other benefits	107,436	48,873
	<u>110,987</u>	<u>50,103</u>
(d) Others		
Auditors' remuneration		
— audit services	1,130	4,090
— non-audit services	310	1,506
Depreciation	10,426	1,449
Impairment losses on trade receivables	2,539	–
Net foreign exchange (gain)/loss	(476)	2,616
Rental and related income from investment properties less direct outgoings of HK\$22,889,000 (2019: 22,102,000)	(129,832)	(105,039)
	<u>(129,832)</u>	<u>(105,039)</u>

6 INCOME TAX

(a) Income tax represents:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax — Hong Kong Profits Tax		
Provision for the year	11,332	15,376
Over-provision in prior years	(7,432)	(205)
	<u>3,900</u>	<u>15,171</u>
Current tax — Overseas		
Provision for the year	12,893	6,805
Over-provision in prior years	(1,592)	–
	<u>11,301</u>	<u>6,805</u>
Deferred tax		
Origination and reversal of temporary differences	<u>2,406</u>	<u>2,515</u>
	<u>17,607</u>	<u>24,491</u>

Provision for Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) on the estimated assessable profits for the year, except for a subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Overseas taxation is calculated at rate of tax applicable in the jurisdictions in which the Group is assessed for tax.

Share of associates' income tax expense of HK\$649,000 (2019: HK\$3,626,000) is included in the share of results of associates for the year ended 31 December 2020.

7 DIVIDENDS

(a) Dividends attributable to the year

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Final dividend proposed after the end of reporting period of HK\$0.09 (2019: HK\$0.09) per share	<u>35,058</u>	<u>35,058</u>

At a meeting held on 26 March 2021, the Directors recommended a final dividend of HK\$0.09 per share. This proposed dividend is not reflected as a dividend payable in the Group's consolidated financial statements until it has been approved by the shareholders of the Company and will be reflected as an appropriation of reserves in the year ending 31 December 2021.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.09 (2019: HK\$0.09) per share	<u>35,058</u>	<u>35,058</u>

8 EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of HK\$185,746,000 (2019: HK\$133,363,000) and 389,527,932 (2019: 389,527,932) shares in issue during the year.

Diluted earnings per share equals to the basic earnings per share as the Company had no dilutive potential shares in issue during the year (2019: Nil).

9 INVESTMENT PROPERTIES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At 1 January	3,153,973	1,968,000
Additions	–	896
Acquisition of subsidiaries	–	1,135,339
Net fair value (loss)/gain	(56,173)	943
Exchange adjustments	<u>29,731</u>	<u>48,795</u>
At 31 December	<u>3,127,531</u>	<u>3,153,973</u>

All of the Group's investment properties were revalued at 31 December 2020. The valuations were carried out by independent firm of surveyors, Jones Lang LaSalle Corporate Appraisal and Advisory Limited and Knight Frank LLP, which have among its staff with relevant professional qualifications and have recent experience in the location and category of the property being valued.

The fair value of investment properties in Hong Kong and the United Kingdom are 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. The fair value measurement is positively correlated to the market rent per square foot, and negatively correlated to the capitalisation rates.

10 INTERESTS IN ASSOCIATES AND AMOUNTS DUE FROM/TO ASSOCIATES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Share of net assets	285,168	252,056
Amount due from an associate (non-current) (<i>note (a)</i>)	<u>90,686</u>	<u>201,730</u>
	<u>375,854</u>	<u>453,786</u>
Amount due from an associate (current) (<i>note (a)</i>)	<u>2,075</u>	<u>5,699</u>
Amount due to an associate (current) (<i>note (b)</i>)	<u>95,561</u>	<u>148,185</u>

Notes:

- (a) An amount due from Gold Value Limited of HK\$92,761,000 (2019: HK\$207,429,000) is unsecured, interest-bearing at Hong Kong Prime Rate minus 2.1% per annum. The amount of HK\$2,075,000 (2019: HK\$5,699,000) is expected to be recovered within one year, while the remaining amount of HK\$90,686,000 (2019: HK\$201,730,000) will be recovered after one year.
- (b) An amount due to Ultimate Vantage Limited of HK\$95,561,000 (2019: HK\$148,185,000) is unsecured, interest-free and repayable on demand.

11 TRADE AND OTHER RECEIVABLES AND OTHER NON-CURRENT ASSETS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables, net of loss allowance (<i>note (a)</i>)	1,809	1,075
Unamortised rent receivables	54,122	58,723
Other receivables	15,639	9,111
Other deposits	5,980	3,316
Prepayments	2,700	1,574
Amount due from an associate (<i>note 10(a)</i>)	2,075	5,699
Amount due from an intermediate holding company (<i>note (b)</i>)	34,959	41,857
Amount due from fellow subsidiaries (<i>note (b)</i>)	<u>28,643</u>	<u>11,196</u>
	<u>145,927</u>	<u>132,551</u>
Representing:		
Current	103,622	82,827
Non-current (unamortised rent receivables)	<u>42,305</u>	<u>49,724</u>
	<u>145,927</u>	<u>132,551</u>

(a) **Ageing analysis**

Trade receivables represent mainly rental receivables from tenants of the Group's investment properties. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 15 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

As at the end of the reporting period, the ageing analysis of trade receivables based on the date of revenue recognition, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 to 30 days	1,178	728
31 to 90 days	631	347
	1,809	1,075

- (b) The amounts due from an intermediate holding company and fellow subsidiaries are unsecured, interest-free and recoverable on demand. Included in the balances were trade receivables from an intermediate holding company and fellow subsidiaries of HK\$34,959,000 (2019: HK\$23,387,000) and HK\$28,480,000 (2019: HK\$11,189,000), respectively, which arose from the provision of asset management services. The ageing of these balances are less than 30 days from the date of revenue recognition.

12 INVESTMENT INSTRUMENTS

The Group invests in the investment instruments for funding a property development project.

The instruments is interest-bearing at 14.15% per annum and the original maturity date is 20 December 2020. The borrowers have the right to extend the original maturity date for five successive one-year periods to a date ending upon the expiration of each extension period. During the year ended 31 December 2020, the borrowers exercised the first extension option and the maturity date of the instruments was extended to 20 December 2021.

The instruments are guaranteed by a holding company of the borrowers. The balance of HK\$413,176,000 (2019: HK\$362,169,000) is secured by the equity interest of a borrower, while the remaining balance of HK\$185,312,000 (2019: HK\$162,962,000) is unsecured.

13 OTHER PAYABLES AND ACCRUALS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other payables	18,559	21,310
Rental and other deposits received	23,935	24,810
Accruals	53,804	29,385
Amount due to an associate (<i>note 10(b)</i>)	95,561	148,185
Amount due to an intermediate holding company (<i>note (a)</i>)	36,593	10,054
Amount due to fellow subsidiaries (<i>note (a)</i>)	448	309
	<u>228,900</u>	<u>234,053</u>

Notes:

- (a) Amounts due to an intermediate holding company and fellow subsidiaries are unsecured, interest-free and repayable on demand.
- (b) Except for the rental and other deposits received on properties and other payables of HK\$11,584,000 (2019: HK\$13,014,000) 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 repayable on demand.

14 BANK LOANS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Secured bank loans	1,234,509	774,561
Other borrowing costs capitalised	(2,806)	(2,624)
Total bank loans	<u>1,231,703</u>	<u>771,937</u>
<i>Representing secured bank loans repayable:</i>		
Within 1 year or on demand	10,662	10,357
After 1 year but within 2 years	774,667	10,357
After 2 years but within 5 years	446,374	751,223
	<u>1,221,041</u>	<u>761,580</u>
Total bank loans	<u>1,231,703</u>	<u>771,937</u>

At 31 December 2020, the Group has two banking facilities amounting to HK\$1,000,000,000 (31 December 2019: nil) (the “**HK Loan Facility**”) and GBP75,000,000 (equivalent to HK\$799,650,000) (31 December 2019: GBP75,000,000 (equivalent to HK\$776,779,000)) (the “**UK Loan Facility**”).

Among the HK Loan Facility and the UK Loan Facility, the balance of GBP42,000,000 (equivalent to HK\$447,804,000) (31 December 2019: nil) and GBP73,786,000 (equivalent to HK\$786,705,000) (31 December 2019: GBP74,786,000 (equivalent to HK\$774,561,000)) are utilised as at 31 December 2020, respectively.

The HK Loan Facility is interest-bearing at the London Inter-bank Offered Rate (“**LIBOR**”) plus 2.1% per annum, secured by share charges in respect of the equity interests of certain subsidiaries of the Group (the “**HK Subsidiaries**”) and floating charges over all the rental related receivables of the HK Subsidiaries, and guaranteed by the Company. It has an initial term of 12 months from its utilisation date and upon the end of the initial 12-month term, the Group may exercise not more than four consecutive 12-month extension options subject to satisfaction of certain extension conditions.

The HK Loan Facility is subject to the fulfilment of covenants relating to the HK Subsidiaries’ and the Company’s financial ratios, obligations on the HK Subsidiaries’ immediate holding companies to maintain their beneficial interests in the HK Subsidiary’s issued share capital and obligation on the Company’s ultimate holding company to maintain its beneficial interest of at least 30% of the entire issued share capital of a subsidiary of the Group.

The UK Loan Facility is interest-bearing at the LIBOR plus 1.95% per annum and secured by all assets held by a subsidiary (the “**UK Subsidiary**”). These included the Group’s investment properties located in the United Kingdom of HK\$1,123,071,000 at 31 December 2020 (31 December 2019: HK\$1,149,513,000). It is repayable by instalment in accordance with repayment schedule and will be matured on 16 January 2022.

The UK Loan Facility is subject to the fulfilment of covenants relating to certain of the UK Subsidiary’s statement of financial position ratios and an obligation on its immediate holding company to maintain its beneficial interest in that UK Subsidiary’s issued share capital.

At 31 December 2020, none of the covenants relating to drawn down facilities had been breached. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The fiscal year 2020 was a rough year for the global economy as it was plunged by the COVID-19 pandemic and economic activity in many parts of the world was bringing to a near standstill. The economic damage the COVID-19 pandemic brings is evident and represents a massive economic shock the world has ever experienced in decades. To operate in such a difficult macroeconomic environment, one fact is clear: we need to be more dedicated, more tenacious, more flexible and more adaptive.

Although 2020 is a year filled with economic pressure around the globe, with the effort of the team, the Group recorded a profit attributable to the shareholders of the Company for the year of approximately HK\$185.7 million (2019: HK\$133.4 million), representing an increase of approximately 39%.

Excluding the change in fair value of investment properties and share of results of associates, the Group's underlying profit for the year was approximately HK\$233.6 million (2019: HK\$115.6 million), representing an increase of approximately 102%. The increase was mainly due to (i) the increase in interest income on the Investment Instruments acquired by the Group in June 2019; (ii) the increase in net profit generated from an investment property acquired by the Group in June 2019; and (iii) the increase in net profit generated from the asset management services which the Group began providing in June 2019.

During the period under review, in order to enhance the Group's asset management capabilities in Hong Kong, the United Kingdom and the United States of America (the "US"), the Group entered into a new management services framework agreement with VPHK and certain of its subsidiaries (the "**VPHK Parties**") which took effect from 30 October 2020 until 31 December 2022 and which replaced and superseded the management services framework agreement and the supplemental agreement entered into by the same parties in 2019. Under the new management services framework agreement, the Group will continue to be engaged on an exclusive basis to provide management services to VPHK Parties in Hong Kong, the United Kingdom and the US (the "**Management Services**"). In particular, key members of the management team of the Group had previously worked at renowned conglomerates in property investment and development firms with rich experience in property development and investment. With the contribution of these personnel, the Group could lay a solid foundation to cultivate its asset management and property development and investment capabilities in the property markets, and add a new income stream from the asset management arm and has increased the overall competitive edge of the Group in the real estate business sector. This asset management business has contributed significant income to the Group during the year under review.

For details of the Management Services, please refer to the Company's announcement dated 7 September 2020 and circular dated 12 October 2020.

The Group completed various acquisitions of equity interests or investment instruments (as the case may be) in 2019 in certain properties in Hong Kong, London in the United Kingdom, and San Francisco and New York in the US which included the acquisitions of (i) approximately 99.89% effective interest in the property comprising pieces or parcels of ground located at 62, 64, 66 and 68 Chun Yeung Street, Hong Kong (the “**Chun Yeung Street Property**”), (ii) approximately 99.95% effective interest in the investment property Ryder Court located at 13–17 Bury Street and 12, 14 and 16 Ryder Street, St James’s, London, SW1, the United Kingdom (“**Ryder Court**”); (iii) 45% effective interest in the investment property located at 657 and 663–667 Mission Street, San Francisco, California, the US (“**Mission**”); and (iv) 100% of the holding entity which participates in 49% effective interest in the investment instruments (“**Investment Instruments**”) for funding the development of the property located at 25 Park Row, New York, the US (“**Park Row**”) (collectively, the “**Acquisitions**”). The Acquisitions continued to enable the Group to generate revenue and profits for providing long-term growth prospects and investment return to the shareholders of the Company in 2020.

The Group’s revenue is derived from the leasing of units and car parking spaces in Regent Centre, the leasing of Ryder Court, interest from the Investment Instruments and provision of asset management services. Revenue for the year was approximately HK\$474.5 million (2019: HK\$251.5 million), representing an increase of approximately 89%. The increase was mainly due to (i) the increase in interest income on the Investment Instruments acquired by the Group in June 2019; (ii) the increase in revenue generated from Ryder Court acquired by the Group in June 2019; and (iii) the increase in revenue generated from the asset management services which the Group began providing in June 2019.

The Group’s investment in Regent Centre was at a fair value of approximately HK\$2,004.5 million as at 31 December 2020 (31 December 2019: HK\$2,004.5 million). The Group’s investment in Ryder Court was at a fair value of approximately HK\$1,123.0 million as at 31 December 2020 (31 December 2019: HK\$1,149.5 million). There has been no change in the valuation methodology of the Group’s investment properties. After netting off the exchange adjustments of investment properties of HK\$29.7 million (2019: HK\$48.8 million), the fair value loss amounted to approximately HK\$56.2 million for the year (2019: net fair value gain of HK\$0.9 million). The decrease in fair value of Ryder Court was due to (i) the early termination of certain leases by tenants during the year which resulted a loss of rental income; and (ii) the overall decrease in market rent in London as a result of the current market dynamics led by COVID-19 pandemic.

Asset management

From the second half of 2019 onwards, the Group began providing asset management services to VPHK Parties with respect to VPHK Parties’ projects in Hong Kong, the United Kingdom and the US. In return, the asset management service fees calculated at 1.25% per annum of the total capital of the relevant projects invested by VPHK Parties was charged by the Group. Revenue from the provision of asset management services during the year amounted to approximately HK\$237.3 million (2019: HK\$82.9 million).

Segment profit from the provision of asset management services amounted to approximately HK\$90.3 million (2019: HK\$25.7 million) for the year.

Property investment

The Group's investment properties comprise (i) various portions of Regent Centre ("**Regent Centre**"), which is located at 63 Wo Yi Hop Road and 70 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong; and (ii) Ryder Court, which is located at 13–17 Bury Street and 12, 14 and 16 Ryder Street, St James's, London, SW1, the United Kingdom.

The Group owns a total gross floor area of approximately 657,000 square feet in Regent Centre and approximately 76,000 square feet in Ryder Court, representing 64% and 100% of the total gross floor area respectively.

During the year, the Group renewed the leases of Regent Centre at a stable rental reversion. Occupancy rate of Regent Centre was 96% as at 31 December 2020 (31 December 2019: 96%) against a slight decrease in monthly passing rent to HK\$9.8 per square foot as at 31 December 2020 (31 December 2019: HK\$10 per square foot). Apart from monthly rent, the tenants are responsible for payment of a 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 during the year was approximately HK\$102.1 million (2019: HK\$102.1 million).

Ryder Court began generating revenue from 1 July 2019. Occupancy rate of Ryder Court decreased to 74% as at 31 December 2020 (31 December 2019: 99%). Total revenue from the leasing of Ryder Court during the year was approximately HK\$50.6 million (2019: HK\$25.0 million).

Segment profit before change in fair value of investment properties of the Group amounted to approximately HK\$86.9 million for the year (2019: HK\$80.9 million), representing an increase of approximately 7%. The increase was mainly due to netting effect of the increase in revenue generated from Ryder Court and the increase in interest expenses incurred by Regent Centre during the year.

Property development

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 Pavilia Bay. Up to the date hereof, all units have been sold at gross proceeds of approximately HK\$10.1 billion and over 99% of the sold units of The Pavilia Bay have been handed over to the buyers.

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. 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 (collectively, the "**HK Associates**"), comprising the share of net assets of the Group in the HK Associates as well as amounts due from the HK Associates, amounted to approximately HK\$193.9 million as at 31 December 2020 (31 December 2019: HK\$305.5 million). The decrease in total investment of the Group during the year was mainly due to partial repayment of amount due from Gold Value of approximately HK\$114.7 million (out of the repayment of mortgages by the buyers of The Pavilia Bay to Gold Value and the proceeds from the partial disposal of first mortgage loans during the year). During the year ended 31 December 2020, the Group has also made net repayments to Ultimate Vantage of HK\$52.6 million, being repayments to Ultimate Vantage from all its shareholders in proportionate to their respective shareholdings.

The Group's share of profit of HK Associates amounted to HK\$3.1 million for the year (2019: HK\$19.8 million). The decrease was mainly due to the decrease in profit realisation from the TW6 Project as more units were handed over to the buyers in 2019.

The Group's another property development project is represented by the participation in 49% effective interest in the investment instruments for funding the development of Park Row held by Supreme J Limited, an indirect wholly-owned subsidiary of the Company. The Investment Instruments have begun generating interest income for the Group during the second half of 2019. The revenue generated from the Investment Instruments during the year amounted to approximately HK\$84.5 million (2019: HK\$41.4 million).

Another of the Group's property development projects is represented by investment in 657-667 Mission Street Venture LLC, a 45% associate of the Group, and its subsidiaries (collectively, the "**Mission Street Group**"). The Mission Street Group owns Mission with a total gross floor area of approximately 155,000 square feet.

The Group also began sharing Mission Street Group's results in the second half of 2019. During the year, Mission continued to be under renovation. The Group had shared a profit of HK\$5.2 million (2019: loss of HK\$3.0 million) from Mission Street Group during the year. The share of profit from Mission Street Group was due to the increase in fair value of Mission during the year. Mission is expected to begin generating revenue for the Mission Street Group in 2021.

Segment profit amounted to approximately HK\$97.3 million for the year (2019: HK\$65.0 million), representing an increase of approximately 50%. The increase was mainly due to netting effect of the significant increase in revenue generated from the Investment Instruments and the decrease in share of profit of the HK Associates.

Head office and corporate expenses

Head office and corporate expenses, net of unallocated income, were approximately HK\$18.2 million during the year (2019: HK\$32.5 million). The decrease was mainly due to the legal and professional fees arising from the Acquisitions during the year ended 31 December 2019 while there was no such fees incurred during the year.

Finance income

Finance income for the year amounted to approximately HK\$8.1 million (2019: HK\$24.8 million), comprising interest income on bank deposits and bank balances of HK\$3.2 million (2019: HK\$17.8 million) and interest income on shareholders' loans due from Gold Value amounted to approximately HK\$4.9 million (2019: HK\$7.0 million). The decrease in finance income was due to the decrease in bank interest rates, the average bank balances and average shareholder's loans due from Gold Value during the year.

FINANCIAL REVIEW

Liquidity and financial resources

Equity attributable to shareholders of the Company amounted to approximately HK\$3,911.5 million as at 31 December 2020 (31 December 2019: HK\$3,764.3 million). The increase was due to the equity attributable to the shareholders of the Company for the year of HK\$182.3 million less a payment of 2019 final dividend of HK\$35.1 million.

The Group's interest-bearing bank and other borrowings of approximately HK\$1,301.7 million as at 31 December 2020 (31 December 2019: HK\$1,258.0 million) were mainly denominated in pound sterling. The bank loans of HK\$1,231.7 million (31 December 2019: a bank loan of HK\$771.9 million and the loan from an intermediate holding company of HK\$424.6 million) were arranged on a floating rate basis, while the lease liabilities of HK\$70.0 million (31 December 2019: HK\$61.5 million) were arranged on a fixed rate basis. The increase was due to net repayment of bank loan and the loan from an intermediate holding company, and the appreciation of pound sterling against Hong Kong dollar during the year.

The Group has two banking facilities amounting to HK\$1,000.0 million (31 December 2019: nil) and GBP75.0 million (equivalent to approximately HK\$799.7 million) (31 December 2019: GBP75.0 million (equivalent to approximately HK\$776.8 million)) in which GBP42.0 million (equivalent to approximately HK\$447.8 million) (31 December 2019: nil) and GBP73.8 million (equivalent to approximately HK\$786.7 million) (31 December 2019: GBP74.8 million (equivalent to approximately HK\$774.5 million)) have been utilised as at 31 December 2020. After deducting other borrowing costs capitalised of approximately HK\$1.4 million (31 December 2019: nil) and HK\$1.4 million (31 December 2019: HK\$2.6 million), the total outstanding bank loans were approximately HK\$446.4 million (31 December 2019: nil) and HK\$785.3 million (31 December 2019: HK\$771.9 million), respectively. The maturity dates of these bank loans are set out in page 16 of this announcement. As at 31 December 2020, the maturity profile of the outstanding bank loan was as follows:

	At 31 December 2020 <i>HK\$'000</i>	At 31 December 2019 <i>HK\$'000</i>
Within 1 year or on demand	10,662	10,357
After 1 year but within 2 years	774,667	10,357
After 2 years but within 5 years	446,374	751,223
	1,231,703	771,937

As at 31 December 2020, the debt-to-equity ratio of the Company, which is calculated as interest-bearing bank and other borrowings divided by total equity of the Group, was 33.3% (31 December 2019: 33.4%). The ratio of net debts (interest-bearing bank and other borrowings net of bank balances and cash) divided by total equity was 17.7% (31 December 2019: 21.4%).

The Group's bank balances and cash amounted to HK\$610.9 million as at 31 December 2020 (31 December 2019: HK\$450.9 million). One of the Group's properties, Chun Yeung Street Property, which is free from encumbrances for the time being, can be leveraged to raise funds and bring in additional cash resources to the Group as and when required. Taking these into account, it is expected that the Group should have sufficient working capital for its current requirements.

Risk of fluctuations in exchange rates

As the Group operates in Hong Kong, the US and the United Kingdom, all its assets and liabilities are denominated in Hong Kong dollar, the US dollar and pound sterling. The Group will monitor the foreign exchange exposures and take appropriate measures from time to time in order to minimise the Group's foreign exchange exposures. The Group holds a natural hedge on its foreign exchange exposure in pound sterling by way of a bank loan denominated in pound sterling to cover its equity investment in Ryder Court.

Capital commitments

The Group had a contractual commitment of HK\$27.0 million as at 31 December 2020 (31 December 2019: HK\$8.7 million) in respect of capital expenditure to be incurred in the development of Chun Yeung Street Property and the renovation of Ryder Court.

Contingent liabilities and financial guarantees

As at 31 December 2020, the banking facility granted to a subsidiary of the Company engaging in the businesses of property investment, which is subject to a guarantee given to the bank by the Company for up to 100% (31 December 2019: nil) of the fund drawn down, had been utilised to the extent of GBP42.0 million (equivalent to approximately HK\$447.8 million) (31 December 2019: nil).

Pledge of assets

As at 31 December 2020, the Group's secured bank loans were secured by the following assets of the Group:

- (i) floating charge over all the assets of Lithium Real Estate (Jersey) Limited, a subsidiary which holds Ryder Court, including the investment properties with a carrying value of HK\$1,123.0 million at 31 December 2020 (31 December 2019: HK\$1,149.5 million);
- (ii) the entire share capital of Access Rich Limited, Cheer Win Limited, Chericourt Company Limited, WK Parking Limited and WK Property Financial Limited (collectively, the "**Regent Centre Companies**"), subsidiaries which holds Regent Centre;

- (iii) the entire share capital of Future Best Developments Limited, the holding company of the Regent Centre Companies; and
- (iv) floating charge over all the rental related receivables of the Regent Centre Companies.

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 year.

EMPLOYEES AND REMUNERATION POLICY

The Group had 96 employees as at 31 December 2020 (31 December 2019: 91). With the employment of the former employees of China Vanke and its subsidiaries (excluding the Group) from the US and the United Kingdom on 30 June 2019, and from Hong Kong on 1 November 2019, there was a significant increase in staff costs (including Directors' emoluments) to approximately HK\$111.0 million (2019: HK\$50.1 million) during the year.

VPHK provides administrative and management support to the Group on a cost basis. During the year, total fee payable to VPHK in relation to administrative and management support to the Group amounted to approximately HK\$9.5 million (2019: HK\$5.1 million) during the year, with the increase mainly attributable to the increase in the average number of employees in Hong Kong.

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 mandatory provident fund scheme. Other employment benefits are awarded at the discretion of the Group.

OUTLOOK

2020 was a year of surprises and uncertainties with the unprecedented drastic hit to the global economy caused by the COVID-19 pandemic and the severity of the lockdowns, the reduced cross-border travel and the accelerated job losses. While many countries are rolling out government relief programs and implementing economic stimulus policies to weather the economic challenges brought by the COVID-19 pandemic, it is expected that the outlook continues to be shrouded in uncertainties and be dominated by the global spread of the COVID-19 pandemic with a new, more transmittable variant of the virus. Furthermore, the vaccines now being rolled out are not anticipated to reach enough of the population to allow all of us to return to normal life in the near-term. It will remain a difficult period for many businesses of all sizes and across all industries unless the world steps up in vaccination efforts and pushes forward a swift and effective global distribution of effective COVID-19 vaccines.

The trade deal between the US and China which now remains at a standstill has also added to the uncertainties for the 2021 outlook. All of these uncertainties have brought and is expected to bring certain level of impact on the markets which the Group operates in. Despite the hardship as set forth above, the Group will use its best endeavors to explore investment opportunities in the property markets in 2021 and continues to leverage on the network of VPHK and its subsidiaries to penetrate into the global market with a view to expanding its customer base both locally and overseas.

The Group is financially healthy and with appropriate cost management, and is prepared for any economic pressure that may arise from the aforesaid uncertainties. Besides, the Group believes uncertainties create opportunities – the Group will keep an eye on investment opportunities, including those in other real estate markets in the world, which have good development and investment potential with the objective of being open-minded about new opportunities for growth and expansion of the Group’s business and value creation for its shareholders as a whole.

The Group’s investment properties in Hong Kong and London, Regent Centre and Ryder Court, are expected to maintain the occupancy rates and passing rents in 2021. In addition, the Group’s Investment Instruments and asset management business are expected to generate stable revenue and profits in 2021.

FINAL DIVIDEND

The Directors recommend the payment of a final dividend of HK\$0.09 per share (2019: HK\$0.09 per share). Subject to the passing of the relevant resolution at the annual general meeting of the Company to be held on 25 June 2021 (the “**2021 AGM**”), the final dividend will be payable to the shareholders on or about 14 July 2021.

CLOSURE OF REGISTER OF MEMBERS AND THE TRANSFER BOOKS

The Register of Members and the Transfer Books of the Company will be closed during the following periods:

(i) For ascertaining the shareholders’ entitlement to attend and vote at the 2021 AGM

The Register of Members and the Transfer Books of the Company will be closed from Tuesday, 22 June 2021 to Friday, 25 June 2021, both days inclusive, for the purpose of ascertaining the shareholders’ entitlement to attend and vote at the 2021 AGM. In order to be eligible to attend and vote at the 2021 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited (“**Computershare**”) at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 21 June 2021.

(ii) For ascertaining the shareholders' entitlement to the proposed final dividend

The Register of Members and the Transfer Books of the Company will be closed on Monday, 5 July 2021 for the purpose of ascertaining the shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with Computershare at the abovementioned address no later than 4:30 p.m. on Friday, 2 July 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 of the Listing Rules during the year ended 31 December 2020.

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 during the year ended 31 December 2020. 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. The Board reviews and monitors the compliance of such codes and guidelines periodically.

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the code provisions under the CG Code. The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2020, including the accounting policies and practices adopted by the Group, and also discussed the internal control and financial reporting matters applicable to the Group with the management.

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 year ended 31 December 2020.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2020 as set out in this preliminary announcement have been compared by the Group's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditors.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL 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 annual 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 (Chairman)

Ms. Que Dongwu (Chief Executive Officer)

Mr. Lee Kai-Yan

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. Zhang Anzhi

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

Hong Kong, 26 March 2021