



中海物業集團有限公司

CHINA OVERSEAS PROPERTY HOLDINGS LIMITED

Stock Code 股份代號: 2669

INTERIM REPORT 2016 中期報告



物有所依 業有所託

PROPERTY ASSETS TO BE ENTRUSTED

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# BOARD OF DIRECTORS AND COMMITTEES

## BOARD OF DIRECTORS Chairman and Non-executive Director

Hao Jian Min

## Executive Directors

Wang Qi (*Vice Chairman and  
Chief Executive Officer*)

Luo Xiao

Shi Yong

Kam Yuk Fai

## Independent Non-executive Directors

Lim Wan Fung, Bernard Vincent

Suen Kwok Lam

Yung Wing Ki, Samuel

## COMMITTEES Audit Committee

Yung Wing Ki, Samuel\*

Lim Wan Fung, Bernard Vincent

Suen Kwok Lam

## Remuneration Committee

Suen Kwok Lam\*

Hao Jian Min

Lim Wan Fung, Bernard Vincent

Yung Wing Ki, Samuel

## Nomination Committee

Hao Jian Min\*

Lim Wan Fung, Bernard Vincent

Suen Kwok Lam

Yung Wing Ki, Samuel

\* *Committee Chairman*

## CORPORATE INFORMATION

### AUTHORIZED REPRESENTATIVES

Hao Jian Min

*(Luo Xiao as his alternate)*

Wang Qi

*(Kam Yuk Fai as her alternate)*

### COMPANY SECRETARY

Ko Hiu Fung

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited  
Cricket Square, Hutchins Drive,  
PO Box 2681, Grand Cayman KY1-1111,  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 22, Hopewell Centre,  
183 Queen's Road East, Hong Kong

### REGISTERED OFFICE

Cricket Square, Hutchins Drive,  
PO Box 2681, Grand Cayman KY1-1111,  
Cayman Islands

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

19th Floor, China Overseas Building,  
No.139 Hennessy Road and  
No.138 Lockhart Road,  
Wanchai, Hong Kong

### BRANCH OFFICE IN HONG KONG

Unit 6706A, Level 67,  
International Commerce Centre,  
1 Austin Road West,  
Kowloon, Hong Kong

### INDEPENDENT AUDITOR

PricewaterhouseCoopers  
*Certified Public Accountants*

### LEGAL ADVISORS

**As to Hong Kong laws:**

Mayer Brown JSM

**As to Cayman Islands laws:**

Conyers Dill & Pearman

### COMPLIANCE ADVISOR

Somerley Capital Limited

### PRINCIPAL BANKERS

*(In Alphabetical Order)*

China Construction Bank Corporation  
The Hongkong and Shanghai Banking  
Corporation Limited

### SHARE LISTING

The Company's shares are listed on The Stock Exchange of Hong Kong Limited:  
(Stock Code: 2669)

### INVESTOR RELATIONS

Corporate Communications Department  
Telephone : (852) 2988 0600  
Facsimile : (852) 2988 0606  
Email : copl.ir@cohl.com

### PUBLIC RELATIONS

Corporate Communications Department  
Telephone : (852) 2988 0600  
Facsimile : (852) 2988 0606  
Email : copl.pr@cohl.com

### FINANCIAL CALENDAR

Interim Results Announcement:  
19 August 2016

Closure of Register of Members:  
9 September 2016

2016 Interim Dividend Payable:  
7 October 2016

# CHAIRMAN'S STATEMENT

## INTRODUCTION

I am pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2016. With an operating strategy driven by core premium property management services and supplemented by multiple valued-added services, the Group continued to unleash the powerful brand equity of "China Overseas Property", and expanded rapidly both in terms of geographical coverage and business volume.

As at 30 June 2016, the Group's property management businesses provided professional property management services to 442 properties located across 50 cities and regions in Hong Kong, Macau, and the People's Republic of China (the "PRC"), covering an aggregate gross floor area ("GFA") under management of approximately 86.0 million sq.m. with 20,385 employees. The categories of properties under management include mid- to high-end residential units, Grade-A office buildings, commercial complexes, hotels and government properties. The Group's all-round business scope has extended its services from basic property management services since occupation such as security, repair and maintenance, cleaning and garden landscape maintenance to a comprehensive spectrum of property management services for property development. We provide one-stop shop property management solution to property developers and property owners, including product positioning consultation, facilities and equipments evaluation proposals, pre-delivery services, move-in assistance services, delivery inspection services and engineering service quality monitoring and consulting services. In light of the potential consumption power of a huge community population, we have actively expanded our business operations vigorously for community services and community assets management via mobile internet platform.

## RESULTS

For the period ended 30 June 2016, total GFA of the properties under the Group's management increased by 4.1% or 3.4 million sq.m. to 86.0 million sq.m. against last year end. New property management contracts secured during this period amounted to a total contract sum of approximately HK\$601.5 million, with a total contract sum (for property management contracts with fixed expiry dates) for services to be rendered of approximately HK\$1,271.9 million as of 30 June 2016.

### RESULTS *(continued)*

Turnover of the Group for the past six months increased by 7.7% to HK\$1,257.0 million against the corresponding period last year (2015: HK\$1,167.3 million). Operating profit for the period rose by 123.4% to HK\$165.7 million (2015: HK\$74.2 million). The profit attributable to owners of the Company increased by 115.1% to HK\$114.0 million, comparing to HK\$53.0 million for the same period in 2015. Basic earnings per share was HK3.47 cents (2015: HK1.61 cents), an increment of 115.5%. Average return on equity was 34.6% (2015: 19.4%).

### PROSPECTS

#### The Economy

Global economic recovery remained lackadaisical. Prospect of the Euro zone at the aftermath of British's referendum to exit European Union is dim while there are doubts as to the interest rate trend of the US Treasury. All these world-wide uncertainties continued to beset the external economic environment, and influenced the economic growth of different economies through the monetary systems. In the PRC, the structural economic reform is in its full swing, albeit for encountering certain degree of challenge and difficulties in the process. The macroscopic directives under the "13th Five-Year Plan" with a more flexible monetary policy and supply-side corrective measures would ensure a sustainable economic development progressing at a mid-to-high speed towards better quality and efficiency to meet the demands.

In the first half of 2016, the Gross Domestic Product ("GDP") in China expanded 6.7% over the corresponding period last year, and was within the range of the national target for the year. Service industry, being the tertiary industry, continued to lead the GDP growth and stabilize the economic development. Inflation rate maintained at a lower level of 2.1% while the per capita disposable income recorded a nominal growth of 8.7% year-on-year or a real increase of 6.5% after deducting price factors, reflecting domestic average income increased in line with the pace of economic growth. Hence, people are enjoying fruitful results of stability and prosperity with the building of a moderately prosperous society.

### PROSPECTS (continued)

#### Property Management

The property management sector in China has been afforded ample opportunities for development in recent years following the implementation of the "National New-type Urbanisation Plan (2014–2020)" (《國家新型城鎮化規劃(2014–2020年)》) and the ongoing growth of the nation's property market. The property management sector has gradually evolved from a labour-intensive business focused on traditional basic services, such as cleaning and security, to an internet-driven operation with a high level of automation and vigorous application of smart devices. The role of a property manager has transformed from a provider of basic property services to a connector and integrator of services and a platform operator. Through the upgrade of hardware equipment to smart devices and the application of the mobile internet technologies, property management companies have succeeded in improving the efficiency and effectiveness of their services while achieving cost reduction. The multi-dimensional daily needs of patrons under a shared economic environment have facilitated the development of a diverse range of value-added services. The property management business can extend vertically into the business chain of the property development sector, as well as horizontally to integrate resources for daily services. Property management companies are embracing new prospects for profit growth on the back of an extended scope of property services, thanks to the introduction of innovations and upgrades in services. In the meantime, after the promulgation of the "Notice of the National Development and Reform Commission regarding the Opinion of Relaxing the Prices for Certain Services" (Fa Gai Jia Ge (2014) No. 2755) (《國家發展改革委關於放開部分服務價格意見的通知》(發改價格(2014) 2755號)), certain provinces/municipalities have started to relax their policies in connection with restrictions on property service fees. The development towards market-oriented pricing for property services will further drive the healthy development of the property management sector.

Driven by the advanced technologies and the influx of capital investments, the previously highly fragmented market of the property management sector has been undergoing a process of integration with increasing pace and magnitude. The sector has seen a significantly enhanced level of industry concentration in the midst of leapfrog development, as large-scale, premium property management companies will secure greater opportunities for development leveraging strengths in reputation, economies of scale and profitability.

### PROSPECTS *(continued)*

#### Group Strategy

The Group competes with our major rivals primarily on branding, service quality, scale and profitability. We concentrate on providing quality management services to our clients, and provide differentiated service products to suit different customer needs in order to establish a well-received brand image. With a proven track record of 30 years' services, we have built up a comprehensive service quality monitoring system, and received the international service standard certification. We have adopted information technology to improve our quality of service and devote our best efforts to promote our customer satisfaction continuously. We focus on the market development in the mid- to high-end residential and commercial properties, so as to maintain business growth to enlarge our market share and operating scale. While we would endeavour to maintain a high quality of service, we strive to beef-up labour productivity and control management overhead cost by the establishment of informationalization and automation platforms to boost up efficiently.

In view of the potential spending power of the huge population living in residential communities, we are committed to the ongoing development of diversified value-added services to meet the needs of owners, tenants and users across the board for different types of services. Meanwhile, we have been making vigorous efforts to develop our online platform by employing new technologies, such as the mobile internet and the Internet of Things, so that we can offer quicker and more intuitive experience to customers and enhance our overall competitiveness in the property management sector as a result.

As one of the leading property management companies in the PRC, it is our mission to lead the industry development continuously through our performance excellence, provide perfect inhabitation enjoyment to our customers with high quality services, preserve and enhance the assets value of clients' properties with comprehensive assets management programs, provide a pleasant working environment with rooms for career development for our staff, and, leveraged on our brand image built up from word-of-mouth credentials, and explore the property management market continuously to create shareholders' value. We would implement the following key business strategies in order to achieve our objectives of meeting customers' needs and continuous business growth:

### PROSPECTS (continued)

#### Group Strategy (continued)

- *Leverage on our leading "China Overseas Property" brand name and expand our business scope*

By focusing on our core competency of managing properties in major cities in the PRC, as well as in Hong Kong and Macau, we believe we would solidify our strong brand recognition as a property management service provider for mid- to high-end properties. We intend to expand our range of service offerings to provide comprehensive and differentiated service solutions to customers, and by leveraging our property management knowhow from Hong Kong high-end properties to develop the high-end and mixed-use property management market in the PRC and abroad.

In order to leverage on our strength in managing mid- to high-end properties, we would expand our coverage to property developers whose profiles are consistent with our brand image and market positioning, in particular, our portfolio of commercial properties under management. Furthermore, to continue expanding our scope of operations, we plan to explore potential cooperation opportunities with, or acquisitions of, other property management companies in the PRC when suitable opportunities arise.

- *Further expand our business coverage through consolidation of our advanced property management knowhow*

We will leverage on our extensive experience in managing mid- to high-end properties in order to devote our efforts in providing property management consultancy to the full phases of property development, and continue to expand our coverage for consulting services, professional and technical advisory services as well as through-train property management consultation. We will provide bespoke services to meet our customers' demands. Such services include planning design assessments, engineering consultancy and equipment advisory services to achieve the goal of lowering development costs and improving property offerings. Our management knowhow offerings include property management methodology design and modernising quality control techniques to aid with raising management efficiency and lowering costs arising from property management services. Meanwhile, we would leverage on the business platform and positioning, integrate the resources across the value-chain horizontally and vertically, and collaborate with business partners to explore new business opportunities, e.g. provide leasing and operation of offices and commercial properties.

### PROSPECTS (continued)

#### Group Strategy (continued)

- *Ongoing promotion of online and offline services to offer superb experience in residential living*

We have always been fully committed to the investigation of an online/offline service tailored to the characteristics of our business, services catering to the personalised and diversified requirements of patrons, such as property leasing and sale, fitting and renovation and daily services, are being constantly enriched and improved, taking into account the actual needs of residents in different districts. As we amass capabilities in such offline services, a solid foundation is provided for creating synergies between offline and online services. We will continue to devote additional resources in the development of our online internet platform to meet the personalised and diversified requirements of patrons. Meanwhile, we will explore opportunities for business growth in connection with the operation of customers' assets and daily services, striving to add value for customers by enhancing their quality of life with richer experiences in convenient services, while also fostering a novel commercial service regime for residential communities.

- *Further enhance our service quality while maximising our cost efficiency*

We pay close attention to our customers' needs and aim to improve our core competency in providing quality property management services by leveraging innovations in technology, ensuring service quality through effective supervision and raising management efficiency.

Automation and standardisation are key factors in our strategy to increase cost efficiency and improve service quality. We will continue implementing automation measures in our processes and emphasising standardisation in our operations. The manipulation of automated systems, such as the smart guest-access control system for residential buildings and car-park management system would reduce the reliance on human resources, and assist the provision of standardized services. These would ensure the consistency of service quality and mitigate human errors, thereby safeguard our brand name and goodwill. Through strategic planning in IT applications, standardised process flows will be incorporated into systems relating to customer relations management, on-site quality supervision, equipment and facilities management and cost control. An IT-based administrative platform in support of our future development strategy will be developed for the identification of new abilities compatible with business models for the forthcoming digital era. We also maintain close relationships with quality vendors and subcontractors in order to ensure consistency and reliability in our service quality.

## CHAIRMAN'S STATEMENT *(continued)*

### PROSPECTS *(continued)*

#### Group Strategy *(continued)*

- *Further enhance our service quality while maximising our cost efficiency (continued)*

Our technical engineering teams had applied their expertises in the environmental and energy-saving campaigns in the communities, as well as assisted vigorously in the proper maintenance of equipments and facilities, and project risk management. In this connection, we obtained three awards for energy saving initiatives from the government and four national patents. In future, we would continue to strengthen our cost controls and resources planning, and carry on the establishment of China Oversea Property intelligent communities and its intelligent management, to provide the highest service quality and cost benefits.

- *Attract, develop and retain talents to support our business growth*

We have adopted a series of human resources strategies to attract, nurture and retain talents. After three decades, we now have a professional, dedicated and loyal management team that underpins sufficient human talents for business growth. We mainly select our management staff through internal promotion but will also externally recruit talents in the property management industry, via the "Sons of the Sea" and "Sea's Recruits" schemes that complement our development strategy and corporate culture.

We tailor our training programmes to various levels of management from entry-level staff to senior management to address their need for different skill sets including the provision of timely and attractive learning opportunities to our staff via the network college. To supplement our recruiting and training efforts, we will continue developing our long-term relationships with professional institutions and industrial organisations for human resources planning as well as establishing various training camps.

We design competitive compensation packages and performance review systems. Through regular performance reviews, stipends, bonuses and special contractual arrangements, we incentivise our employees and boost productivity by ensuring compensation is tied to performance. Furthermore, our continuous multi-dimensional performance assessment and open policy for competitive recruitment allow us to offer wider and long-term career development opportunities to our staff.

### PROSPECTS *(continued)*

#### Group Strategy *(continued)*

- *Attract, develop and retain talents to support our business growth (continued)*

The "craftsmanship spirit" introduced by the Premier of the State Council in his government work report during the meetings of the National People's Congress and the Chinese People's Political Consultative Conference held earlier this year has resonated with the public. For our part, we have always persisted in a "craftsmanship spirit" underpinned by excellence and professionalism. In 2016, we were engaged in vigorously efforts to build a "craftsmen's regime" for our employees, aiming to foster the personality, mentality and skills of a good craftsman in day-to-day operations. Specific programmes included certification for technical experts, certification for job qualifications, nomination of "Outstanding Shift Leaders" and "Outstanding Security Management Coaches," as well as a number skill contests, such as the "Golden Screw" and "Golden Skilled Technician." We have also made strong efforts in team building and the selection of high-calibre staff for promotion, in a bid to encourage innovation and institute exemplary models for good craftsmanship, thereby improving our competitiveness in the property management sector in terms of human resources.

We are also proud to have identified exemplary cases in our daily operations among our property management workforce, who have put public interests above their personal concerns and taken honourable actions in line with their duty. Our Shenyang Security Management Team saved the life of a charcoal-intoxicated owner. A repair technician at our Suzhou office who safeguarded the lives and properties of owners by catching a thief. Our project manager who was awarded the "Capital City's Labour Medal" by the Beijing General Labour Union. These are just a few examples of the acts of excellence on the part of individual employees, as the ethos of corporate social responsibility shall long remain a distinct heritage among our staff.

## CHAIRMAN'S STATEMENT (continued)

### PROSPECTS (continued)

#### Group Strategy (continued)

- *Attract, develop and retain talents to support our business growth (continued)*

During the first half of 2016, we garnered numerous awards and honours on the back of our superior general strengths and excellent standards in service and management:

- "Top 100 Property Service Companies in China 2009-2016 (Eight Years Back-to-Back)"
- "Top 10 of Top 100 Property Service Companies in China (General Strengths) in 2016"
- 2nd Ranking in "Top 100 Property Service Companies in China (Customer Satisfaction) in 2016"
- 3rd Ranking in "Top 100 Property Service Companies in China (Service Quality) in 2016"
- 2nd Ranking in "Top 50 Property Service Companies in Shenzhen (General Strengths) 2015"
- "Best Contribution Award" in Social Group Exemplary Project with Fiscal Support of the Central Government — "Earth Station Public Welfare Ventures" 2016
- Hong Kong Community Chest "President's Award"
- Best PRH Estate (Property Services) Small Estate — Gold Award (Wing Cheong Estate)

In future, we will further improve our service quality with the application of information technologies and expedite the upgrade of smart applications through management innovation and the promotion of smart technologies. With ongoing enhancements in resource integration, complementary benefits and the capacity for mutual growth, we shall be well-positioned to meet customers' increasing demand for different types of services and offer experience of better and more convenient services.

### APPRECIATION

I would like to express my sincere gratitude to my fellow directors and our staff for their efforts as well as to our shareholders and business partners for their continuous supports.

**Hao Jian Min**

*Chairman and Non-executive Director*

Hong Kong, 19 August 2016

## BUSINESS REVIEW

### Revenue and Operating Results

The Group is one of the leading property management companies in the PRC, with operations covering Hong Kong and Macau, who strives to preserve and add value to the properties under our management by providing high-quality and sophisticated services to the customers and maximising customer satisfaction. During the period, the GFA under our management increased by 4.1% to 86.0 million sq.m. from 82.6 million sq.m. as at 31 December 2015, which further strengthened our revenue base and improved our market position.

During the six months ended 30 June 2016, total revenue increased by 7.7% to HK\$1,257.0 million, comparing to HK\$1,167.3 million in the last corresponding period. The increase was due to higher revenue generated from our core property management services and further improvement in income derived from our value-added services, but partly offset by: (i) increased proportion of commission based property management contracts, (ii) the effect of depreciation of Renminbi against Hong Kong dollar during the past twelve months, and (iii) the extension of the pilot programme of replacing business tax with value-added tax to the domestic services industry in the PRC since 1 May 2016.

The direct operating expenses slightly increased by 0.5% to HK\$947.1 million for the period, mainly due to actions to strengthen cost controls of property management contracts under lump sum basis and the entering into new property management contracts mainly under commission basis.

Accordingly, gross profit for the period increased significantly by 37.5% against last period to HK\$309.9 million (2015: HK\$225.4 million). Gross profit margin improved to 24.7% for the six months ended 30 June 2016 from 19.3% in the last corresponding period, mainly due to (i) increase in proportion of revenue from property management services under commission basis out of segment revenue; (ii) strengthening of cost controls measures; and (iii) increase in proportion of revenue from value-added services out of total revenue.

## MANAGEMENT DISCUSSION & ANALYSIS (continued)

### BUSINESS REVIEW (continued)

#### Revenue and Operating Results (continued)

Other income and gains, net, increased by 14.6% to HK\$10.5 million for the period (2015: HK\$9.2 million), of which, contributions from other income arising from interest income on bank deposits and unconditional government grants amounted to HK\$7.1 million and HK\$3.0 million respectively (2015: HK\$6.0 million and HK\$2.1 million respectively).

Fair value gains on investment properties for the period was minimal (2015: HK\$2.3 million), and its effect to the carrying value was more than offset by the effect of depreciation of Renminbi since last year end amounting to HK\$1.6 million, which is recognized in statement of comprehensive income.

After deducting administrative expenses of HK\$155.1 million for the period (2015: HK\$162.7 million), operating profit increased by 123.4% to HK\$165.7 million (2015: HK\$74.2 million). The decrease in administrative expenses was mainly arisen from net reversal of impairment of trade receivables and payments on behalf of property owners for properties managed under commission basis amounted to a total of HK\$32.7 million upon improved management controls over the procedures to recover the receivables and advances in timely manners.

Overall, profit attributable to owners of the Company for the six months ended 30 June 2016 increased by 115.1% to HK\$114.0 million against the last corresponding period (2015: HK\$53.0 million).

### SEGMENT INFORMATION

#### Property Management Services

Revenue from property management services constituted 92.5% of total revenue for the six months ended 30 June 2016 (2015: 95.5%), and increased by 4.4% from last corresponding period to HK\$1,163.2 million (2015: HK\$1,114.6 million). During the six months ended 30 June 2016, we increased our total GFA under management by approximately 3.4 million sq.m. to 86.0 million sq.m. from 82.6 million sq.m. as at 31 December 2015, and was 22.4% more comparing with the end of last corresponding period (2015: 70.2 million sq.m.). The increase in revenue from property management services was partly offset by (i) increased proportion of commission based property management contracts, (ii) the effect of depreciation of Renminbi against Hong Kong dollar during the past twelve months, and (iii) the extension of the pilot programme of replacing business tax with value-added tax to the domestic services industry in the PRC since 1 May 2016.

### SEGMENT INFORMATION (continued)

#### Property Management Services (continued)

For the six months ended 30 June 2016, approximately 84.0% and 7.2% of the segment revenue were generated from regular property management contracts under lump sum basis and commission basis respectively (2015: 88.6% and 4.5% respectively). Other property management services, including (for property developers) pre-delivery services, move-in assistance services and consulting services, represented 8.8% of the remaining segment revenue (2015: 6.9%). Overall, the segment gross profit margin improved to 22.6% for the period against 17.9% in the last corresponding period. Accordingly, the gross profit of our property management services segment increased by 32.0% to HK\$262.8 million for the six months ended 30 June 2016 (2015: HK\$199.1 million).

After deducting the administrative expenses (including net reversal of impairment of trade receivables and that of payments on behalf of property owners for properties managed under commission basis for HK\$32.7 million) and taking into accounts the other income, the segment profit of the property management services increased by 188.3% to HK\$149.6 million for the current period (2015: HK\$51.9 million).

#### Value-Added Services

Revenue from the value-added services segment constituted 7.5% of total revenue for the six months ended 30 June 2016 (2015: 4.5%), and increased by 78.0% to HK\$93.7 million (2015: HK\$52.7 million). The growth was primarily due to the expansion of our community leasing, sales and other services business into new locations. In addition, the services offered through our online-to-offline (“O2O”) platform started to diversify our product offerings and marketing channels for our community leasing, sales and other services business which covers: (i) basic services, including revenue from community services, which involved use of community resources and property assistance services, etc, (ii) “smart” services such as visitor booking and carpark space availability query systems and (iii) other services such as consultancy services, housing and other agency services, group purchasing and household assistance services, etc.

In respect of the profitability, the gross profit of the value-added services segment increased tremendously to HK\$47.1 million in the first half of 2016 from HK\$26.3 million in the first half of 2015, with gross profit margin slightly increased to 50.2% (2015: 49.9%).

### SEGMENT INFORMATION *(continued)*

#### Value-Added Services *(continued)*

The segment profit from the value-added services, having allowed for other segment overhead, increased by 65.7% against last corresponding period to HK\$37.8 million (2015: HK\$22.8 million).

### LIQUIDITY, FINANCIAL RESOURCES AND DEBT STRUCTURE

The Group adopts prudent financial policies, with effective financial and cash management under centralized supervision, and maintains appropriate leverage with adequate cash balances. As at 30 June 2016, net working capital amounted to HK\$834.3 million (as at 31 December 2015: HK\$526.6 million).

Bank balances and cash slightly decreased by 3.5% to HK\$1,680.9 million (as at 31 December 2015: HK\$1,740.9 million), in which, 97.1% were denominated in Renminbi and 2.9% were denominated in Hong Kong Dollar/Macau Pataca.

These were well above the total borrowings of HK\$240 million from a HK\$350 million three-year term revolving loan facility, and the Group was in a net cash position with a gearing ratio (total borrowings divided by total equity attributable to owners of the Company) of 34.8% as at 30 June 2016. Interest of such borrowing was charged at floating rates with a weighted average of 2.21% per annum.

### FOREIGN EXCHANGE EXPOSURE

As the Group mainly recorded its revenue, receivables and payables and expenditures, etc. in Renminbi for its PRC property management business, the management considered that a natural hedge mechanism existed. Meanwhile, fluctuations of exchange rates may impact our net assets value and financial results due to currency translation upon consolidation. If Renminbi appreciates/depreciates against Hong Kong dollar, we would record a(n) increase/decrease in our net assets value and financial results. At present, we do not enter into or trade financial instruments, including derivative financial instruments, for hedging or speculative purpose. Hence, other than the effect of currency translation as mentioned above, we have neither experienced nor expected any material and adverse effect on our business and operations due to the devaluation of Renminbi.

## MANAGEMENT DISCUSSION & ANALYSIS *(continued)*

### FOREIGN EXCHANGE EXPOSURE *(continued)*

On one hand, the Group would closely monitor the volatility of Renminbi exchange rate, and would consider appropriate currency hedging policy for mitigating apparent exchange rate risk. Meanwhile, the management assessed that the Group's risk exposure to foreign exchange rate fluctuations in respect of net investment in PRC remained at acceptable range.

### CAPITAL EXPENDITURES

The capital expenditures, which mainly represent additions to motor vehicles, furniture, fixtures and office equipment, were HK\$2.6 million for the six months ended 30 June 2016.

### MATERIAL ACQUISITIONS, DISPOSALS, SIGNIFICANT INVESTMENTS AND FUTURE PLANS OF MATERIAL INVESTMENT

The Group had no material acquisitions, disposals, significant investments and future plans of material investment during the six months ended 30 June 2016.

### CONTINGENT LIABILITIES

The Group provided counter-indemnities amounting to approximately HK\$68.4 million as at 30 June 2016, for guarantees issued in respect of certain property management service contracts for which we are required to provide performance bonds in the ordinary course of business.

Except as disclosed above, we had no other material outstanding contingent liabilities as at 30 June 2016.

### SIGNIFICANT EVENTS SINCE THE PUBLICATION OF THE LATEST ANNUAL REPORT

The Group had no significant events occurred since the publication of the latest annual report which have material impact on the performance and the value of the Group.

### EMPLOYEES

As at 30 June 2016, the Group had approximately 20,385 employees (as at 31 December 2015: 21,714). The pay levels of these employees commensurated with their responsibilities, performance and the prevailing market condition.

## CONDENSED CONSOLIDATED INCOME STATEMENT

The unaudited condensed consolidated results of the Group for the six months ended 30 June 2016 and the comparative figures for the corresponding period in 2015 are as follows:

	Notes	Six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
<b>REVENUE</b>	6	<b>1,256,974</b>	1,167,250
Direct operating expenses		<b>(947,057)</b>	(941,883)
<b>GROSS PROFIT</b>		<b>309,917</b>	225,367
Other income and gains, net	8	<b>10,530</b>	9,187
Gain arising from changes in fair value of investment properties		<b>313</b>	2,253
Administrative expenses		<b>(155,075)</b>	(162,657)
<b>OPERATING PROFIT</b>		<b>165,685</b>	74,150
Share of profits of an associate		<b>77</b>	71
Finance costs	9	<b>(3,807)</b>	(283)
<b>PROFIT BEFORE TAX</b>	7, 10	<b>161,955</b>	73,938
Income tax expenses	11	<b>(47,917)</b>	(20,932)
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>114,038</b>	53,006
		<b>HK Cents</b>	HK Cents
<b>EARNINGS PER SHARE</b>	13		
Basic and diluted		<b>3.47</b>	1.61

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	114,038	53,006
OTHER COMPREHENSIVE INCOME		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of subsidiaries of the Company	(15,909)	2,580
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	98,129	55,586

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
	Notes		
<b>NON-CURRENT ASSETS</b>			
Investment properties		69,308	70,576
Property, plant and equipment	14	29,974	33,103
Prepaid lease payments for land		3,568	3,866
Interest in an associate		107	330
Deferred tax assets		1,981	2,993
		<b>104,938</b>	<b>110,868</b>
<b>CURRENT ASSETS</b>			
Inventories		131	585
Trade and other receivables	15	416,556	266,514
Deposits and prepayments		22,904	21,969
Prepaid lease payments for land		423	433
Amount due from immediate holding company		97	–
Amounts due from fellow subsidiaries		34,337	20,497
Amounts due from related companies		2,220	3,907
Bank balances and cash		1,680,850	1,740,937
		<b>2,157,518</b>	<b>2,054,842</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	875,934	845,928
Receipts in advance and other deposits		375,600	403,465
Amounts due to fellow subsidiaries		1,221	14,771
Amount due to a related company		352	–
Tax liabilities		70,132	80,100
Bank borrowing	17	–	184,000
		<b>1,323,239</b>	<b>1,528,264</b>
<b>NET CURRENT ASSETS</b>		<b>834,279</b>	<b>526,578</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>939,217</b>	<b>637,446</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	Notes	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowing	17	240,000	–
Deferred tax liabilities		10,169	7,085
		<b>250,169</b>	7,085
<b>NET ASSETS</b>			
		<b>689,048</b>	630,361
<b>CAPITAL AND RESERVES</b>			
Share capital	18	3,287	3,287
Reserves		685,761	627,074
<b>TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
		<b>689,048</b>	630,361

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Share capital	Translation reserve	PRC			General reserve	Retained profits	Total
			statutory reserve	Special reserve	Special reserve			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2015	–	36,656	34,938	33,022	–	421,717	526,333	
Profit for the period	–	–	–	–	–	53,006	53,006	
Exchange differences on translation of subsidiaries of the Company	–	2,580	–	–	–	–	2,580	
Total comprehensive income for the period	–	2,580	–	–	–	53,006	55,586	
Acquisition of Acquired Companies in connection with the Reorganisation	–	–	–	(14,884)	–	–	(14,884)	
At 30 June 2015 (Unaudited)	–	39,236	34,938	18,138	–	474,723	567,035	
At 1 January 2016	3,287	722	35,771	18,138	34,509	537,934	630,361	
Profit for the period	–	–	–	–	–	114,038	114,038	
Exchange differences on translation of subsidiaries of the Company	–	(15,909)	–	–	–	–	(15,909)	
Total comprehensive income for the period	–	(15,909)	–	–	–	114,038	98,129	
2015 final dividends approved (Note 12)	–	–	–	–	(34,509)	(4,933)	(39,442)	
<b>At 30 June 2016 (Unaudited)</b>	<b>3,287</b>	<b>(15,187)</b>	<b>35,771</b>	<b>18,138</b>	<b>–</b>	<b>647,039</b>	<b>689,048</b>	

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(39,460)</b>	(6,309)
<b>INVESTING ACTIVITIES</b>			
Interest received		4,918	5,952
Dividend received from an associate		300	–
Purchase of property, plant and equipment	14	(2,627)	(6,969)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)		–	(33,626)
Acquisition of Acquired Companies in connection with the Reorganisation		–	(14,884)
Repayment from fellow subsidiaries — non-trade		–	356,910
Repayment from a related company — non-trade		–	66,923
Net proceeds on disposals of property, plant and equipment		22	129
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>2,613</b>	374,435
<b>FINANCING ACTIVITIES</b>			
Interest and initial cost on bank borrowing paid		(3,802)	(279)
Repayment to fellow subsidiaries — non-trade		–	(237,745)
New bank borrowing		256,000	174,000
Repayment of bank borrowing		(200,000)	–
Dividends paid to owners of the Company	12	(39,442)	–
<b>NET CASH FROM/(USED IN) FINANCING ACTIVITIES</b>		<b>12,756</b>	(64,024)

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

	Notes	Six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(24,091)	304,102
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		1,740,937	1,088,601
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(35,996)	953
CASH AND CASH EQUIVALENTS AT END OF PERIOD		1,680,850	1,393,656

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

China Overseas Property Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 26 June 2006 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is 19th Floor, China Overseas Building, No. 139 Hennessy Road and No. 138 Lockhart Road, Wanchai, Hong Kong.

Before COLI Distribution (Note 2), the Company’s immediate holding company was China Overseas Land & Investment Limited (“COLI”), a company incorporated in Hong Kong and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), after that, the Company’s immediate holding company became China Overseas Holdings Limited (“COHL”), a company incorporated in Hong Kong. The ultimate holding company of the Company is China State Construction Engineering Corporation (“CSCEC”), an entity established in the People’s Republic of China (the “PRC”) and the PRC government is a substantial shareholder of CSCEC.

The Company is an investment holding company. The Company and its subsidiaries (together, the “Group”) are principally engaged in provision of property management and value-added services.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2016 (the “Interim Financial Statements”) have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange. The Interim Financial Statements do not include all of the information required for annual financial statements and thereby they should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2015.

The Interim Financial Statements are presented in Hong Kong Dollars (“HK\$”), unless otherwise stated.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

## 1. GENERAL INFORMATION *(continued)*

The Interim Financial Statements are unaudited, but have been reviewed by the Audit Committee of the Company. The Interim Financial Statements were approved for issue on 19 August 2016.

## 2. REORGANISATION

In preparation for the listing of the shares of the Company on the Main Board of the Stock Exchange, the Company, together with its subsidiaries and its other acquired companies, now comprising the Group have undergone a reorganisation (the "Reorganisation") before its listing, further details was included in the Group's annual financial statements for the year ended 31 December 2015.

The Company issued and allotted 3,286,860,360 shares to COLI at an aggregate subscription price of HK\$3,286,860 on 9 October 2015 and issued a listing document on 14 October 2015. The Company completed listing by way of introduction of the entire issued share capital of an aggregate of 3,286,860,460 shares of the Company on the Main Board of the Stock Exchange on 23 October 2015, which was satisfied wholly by way of a distribution in specie by COLI to the then qualifying shareholders of COLI ("COLI Distribution").

## 3. BASIS OF PREPARATION

The companies now comprising the Group, excluding 中海宏洋物業管理有限公司 ("COGOPM Holding") and its subsidiaries, were under common control of COHL immediately before and after the internal transfer within the Reorganisation. Accordingly, the internal transfer within the Reorganisation is regarded as a business combination under common control, and for the purpose of this report, the Interim Financial Statements have been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

### 3. BASIS OF PREPARATION *(continued)*

The Interim Financial Statements have been prepared by including the financial statements of the Company and other companies now comprising the Group, excluding COGOPM Holding and its subsidiaries, under the common control of COHL immediately before and after the internal transfer within the Reorganisation as if the current group structure had been in existence throughout the year presented, or since the date when the companies first came under the control of COHL, whichever is a shorter period.

The net assets of 北京中建物業管理有限公司, 重慶海投物業管理有限公司 and 淄博中海親頤物業服務有限公司 (together, the "Acquired Companies") were combined using the then book values from COHL's perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party's interest.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

The acquisition of COGOPM Holding and its subsidiaries was a business combination accounted for using the acquisition method.

### 4. PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Statements have been prepared under the historical cost basis except for investment properties, which are stated at fair values.

Save as described in note 5 "Adoption of new and revised Hong Kong Financial Reporting Standards" ("HKFRSs"), the accounting policies used in preparing the Interim Financial Statements are consistent with those of the annual financial statements for the year ended 31 December 2015.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

## 5. ADOPTION OF NEW AND REVISED HKFRSS

The Group has not applied any of the following applicable new and revised standards or interpretations that have been issued but are not yet effective for the current accounting period.

HKFRS 9 (2014)	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

The Group has already commenced an assessment of the impact of these new or revised standards and amendments, certain of which may be relevant to the Group's operations and may give rise to changes in disclosure, recognition and remeasurement of certain items in the financial statements.

## 6. REVENUE

The principal activities of the Group are disclosed in note 1. Revenue of the Group is the revenue from these activities. Revenue from the Group's principal activities recognised during the period is as follows:

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Property management services	1,163,237	1,114,579
Value-added services	93,737	52,671
Total revenue	1,256,974	1,167,250

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

## 7. SEGMENT INFORMATION

The Group is organised into business segments based on the nature of services, and information is prepared and reported to the Group's management, for the purposes of resource allocation and assessment of performance. The Group's operating and reportable segments under HKFRS 8 and the types of revenue are as follows:

- Property management services — Provision of (i) services such as security, repairs and maintenance, cleaning and garden landscape maintenance provided to mid- to high-end residential communities (including mixed-use properties), commercial properties, government properties and construction sites and (ii) services to other enterprises, such as (for property developers) pre-delivery services, move-in assistance services, delivery inspection services, engineering service quality monitoring and (for other property management companies) consulting services.
  
- Value-added services — Provision of (i) engineering services such as (for property developers) automation consulting and engineering product sales and (for property management companies) inspection services, repair and maintenance services and equipment upgrade services and (ii) community leasing, sales and other services where residents and tenants of the properties under our management are offered a diversified range of online and offline services (such as common area rental assistance, purchase assistance and rental assistance for properties that have been delivered to owners by developers and household assistance services) through the online to offline platform.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

### 7. SEGMENT INFORMATION *(continued)*

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. Segment revenue represents revenue from both external customers and inter-segment revenue. Inter-segment revenue is charged at prevailing market rates and eliminated on consolidation. Segment profit included profits from the Company, the subsidiaries and share of profits of an associate. This is the measure reported to the management of the Group for the purposes of resource allocation and performance assessment.

Information regarding the Group's reportable segments including reportable segment revenue, segment profit and profit before tax is as follows:

	Property management services HK\$'000	Value-added services HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
<b>Six months ended</b>				
<b>30 June 2016 (Unaudited)</b>				
Reportable segment revenue				
— from external customers	1,163,237	93,737	–	1,256,974
— inter-segment revenue	–	25,281	(25,281)	–
	1,163,237	119,018	(25,281)	1,256,974
Reportable segment profit	149,650	37,835	–	187,485
	(i)	(ii)		
Corporate expenses				(25,530)
Profit before tax				161,955

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

## 7. SEGMENT INFORMATION (continued)

	Property management services HK\$'000	Value-added services HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Six months ended				
30 June 2015 (Unaudited)				
Reportable segment revenue				
— from external customers	1,114,579	52,671	—	1,167,250
— inter-segment revenue	—	27,076	(27,076)	—
	1,114,579	79,747	(27,076)	1,167,250
Reportable segment profit	51,914	22,827	—	74,741
	(i)	(ii)		
Corporate expenses				(803)
Profit before tax				73,938

(i) Including net reversal of impairment of trade receivables and payments on behalf of property owners for properties managed under commission basis for HK\$32,725,000 (six months ended 30 June 2015: net impairment of HK\$2,791,000).

(ii) Including a gain arising from the changes in fair value of investment properties of HK\$313,000 (six months ended 30 June 2015: HK\$2,253,000).

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

### 7. SEGMENT INFORMATION *(continued)*

The following is an analysis of the Group's assets and liabilities by reportable segment:

	Property management services HK\$'000	Value-added services HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>As at 30 June 2016</b> (Unaudited)				
Segment assets	2,072,832	178,815	10,809	2,262,456
Segment liabilities	(1,244,075)	(72,150)	(257,183)	(1,573,408)

	Property management services HK\$'000	Value-added services HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>As at 31 December 2015</b> (Audited)				
Segment assets	2,008,314	146,370	11,026	2,165,710
Segment liabilities	(1,415,869)	(107,179)	(12,301)	(1,535,349)

### 8. OTHER INCOME AND GAINS, NET

	<b>Six months ended 30 June</b> <b>2016</b> (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Interest income on bank deposits	7,100	5,952
Unconditional government grants	3,024	2,061
Others	406	1,174
	<b>10,530</b>	9,187

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

## 9. FINANCE COSTS

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Interest and initial cost on bank borrowing	3,807	283

## 10. PROFIT BEFORE TAX

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Profit before tax is arrived at after charging:		
Staff costs including directors' emoluments	707,971	679,296
Sub-contracting costs	139,505	132,885
Equipment repair and maintenance cost	70,910	62,229
Utility costs	80,461	72,445
Write back of trade and other receivables previously written off	(1,188)	(704)
(Reversal of impairment provision)/ impairment provision for trade and other receivables, net	(32,725)	2,791

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

## 11. INCOME TAX EXPENSES

	Six months ended 30 June	
	2016	2015
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Income tax expense comprises:		
Current tax for the period		
Hong Kong profits tax	635	751
Macau complementary income tax	60	67
PRC Enterprise Income Tax	37,025	20,630
PRC Withholding Income Tax	6,025	–
	<b>43,745</b>	21,448
(Overprovision)/underprovision in prior years:		
Hong Kong profits tax	(77)	53
Macau complementary income tax	(67)	–
	<b>(144)</b>	53
Deferred tax:		
Current period	4,316	(569)
Total	<b>47,917</b>	20,932

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the period (2015: 16.5%).

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25% (2015: 25%).

Macau complementary income tax is calculated at the prevailing tax rate of 12% in Macau (2015: 12%).

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

## 11. INCOME TAX EXPENSES (continued)

Under the EIT Law of the PRC, withholding income tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards, charging at the prevailing tax rate applied in the PRC tax jurisdiction. Withholding income tax amounting to HK\$6,025,000 (2015: Nil) for the six months ended 30 June 2016 has been provided for in the financial statements in respect of dividends distributed from a PRC subsidiary to the Company during the period.

## 12. DIVIDENDS

A dividend of HK\$39,442,000 that relates to the year ended 31 December 2015 was paid in June 2016 (2015: Nil).

On 19 August 2016, the board of directors has resolved to declare an interim dividend of HK1.1 cents per share (2015: Nil), which is payable to shareholders who are on the register at 9 September 2016. This interim dividend, amounting to HK\$36,155,000 (2015: Nil), has not been recognised as a liability in the Interim Financial Statements. It will be recognised in equity in the year ending 31 December 2016.

## 13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

### Earnings

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings for the purpose of basic earnings per share	114,038	53,006

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

### 13. EARNINGS PER SHARE *(continued)*

#### Weighted average number of ordinary shares

	Six months ended 30 June	
	2016 (Unaudited) '000	2015 (Unaudited) '000
Adjusted weighted average number of ordinary share for the purpose of basic earnings per share	<b>3,286,860</b>	3,282,539

As there are no dilutive potential ordinary shares as at 30 June 2015 and 30 June 2016, the diluted earnings per share is equal to the basic earnings per share.

### 14. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group incurred capital expenditure of approximately HK\$2,627,000 (six months ended 30 June 2015: HK\$6,969,000).

### 15. TRADE AND OTHER RECEIVABLES

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Trade receivables	<b>351,410</b>	259,304
Less: Impairment of trade receivables	<b>(23,891)</b>	(42,556)
Trade receivables, net	<b>327,519</b>	216,748
Other receivables	<b>89,037</b>	49,766
	<b>416,556</b>	266,514

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

### 15. TRADE AND OTHER RECEIVABLES (continued)

The following is an aged analysis of trade receivables based on invoice date presented at the end of the reporting period:

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
0–30 days	<b>95,189</b>	60,826
31–90 days	<b>76,142</b>	53,309
91–365 days	<b>102,612</b>	89,455
1–2 years	<b>30,392</b>	25,422
Over 2 years	<b>47,075</b>	30,292
	<b>351,410</b>	259,304

Trade receivables are mainly arisen from property management services income from properties managed under lump sum basis and value-added services.

Property management services income from properties managed under lump sum basis in the PRC are received in accordance with the terms of the relevant property service agreements. Service income from property management services is due for payment by the residents upon the issuance of demand note.

Property management services income from properties managed under lump sum basis in Hong Kong has average credit period of not exceeding 60 days.

Provision of repair and maintenance, automation and other equipment upgrade services income is received in accordance with the terms of the relevant contract agreements, normally within 60 days from the issuance of payment requests.

Other value-added services income is due for payment upon the issuance of demand note.

At the end of each reporting period, management reviews receivables for evidence of impairment on both an individual and collective basis.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

### 16. TRADE AND OTHER PAYABLES

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
Trade payables	<b>244,255</b>	180,126
Temporary receipts from properties managed under commission basis	<b>132,681</b>	135,825
Temporary receipts from properties managed under lump sum basis	<b>113,465</b>	138,446
Accrued staff costs	<b>283,493</b>	296,490
Payables for value-add tax, business tax and other levies	<b>11,373</b>	20,445
Other payables	<b>90,667</b>	74,596
	<b>875,934</b>	845,928

The ageing analysis of trade payables based on invoice date is as follows:

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
0-30 days	<b>84,373</b>	74,709
31-90 days	<b>48,103</b>	41,135
Over 90 days	<b>111,779</b>	64,282
	<b>244,255</b>	180,126

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

## 17. BANK BORROWING

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
Bank loan — unsecured	<b>240,000</b>	184,000

Borrowing of the Group as at 30 June 2016 is denominated in Hong Kong Dollars, carries interest at the Hong Kong Interbank Offered Rates plus a specified margin and is repayable over one year.

Borrowing of the Group as at 31 December 2015 is denominated in Hong Kong Dollars, carries interest at the Hong Kong Interbank Offered Rates plus a specified margin and is repayable within one year.

## 18. SHARE CAPITAL

### Authorised shares:

The Company was incorporated on 26 June 2006 with authorised share capital of HK\$300,000,000, divided by 3,000,000,000 shares of HK\$0.1 each before 9 October 2015.

Pursuant to the shareholder's resolutions dated 9 October 2015, every issued and unissued share of a par value of HK\$0.1 each in the share capital of the Company was subdivided into 100 shares of a par value of HK\$0.001 each (the "Share Subdivision"). As such, immediately after the Share Subdivision, the Company had an authorised share capital of HK\$300,000,000 divided into 300,000,000,000 shares of a par value of HK\$0.001 each.

Following the Share Subdivision, the authorised but unissued share capital of the Company was diminished by the cancellation of 270,000,000,000 unissued shares in the authorised share capital of the Company (the "Diminution of Authorised Share Capital"). The Company has an authorised share capital of HK\$30,000,000 divided into 30,000,000,000 shares since 9 October 2015.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

### 18. SHARE CAPITAL *(continued)*

#### Issued shares:

	Number of shares issued and fully paid	Share capital HK\$'000
As at 26 June 2006 (date of incorporation), 31 December 2014 (Audited), 1 January 2015 and 30 June 2015 (Unaudited)	1	–
Share subdivision on 9 October 2015 (Audited)	99	–
Issue of share capital on 9 October 2015 (Audited)	3,286,860,360	3,287
<b>As at 31 December 2015 (Audited), 1 January 2016 and 30 June 2016 (Unaudited)</b>	<b>3,286,860,460</b>	<b>3,287</b>

### 19. PERFORMANCE GUARANTEES

As at 30 June 2016, the Group provided counter indemnities to a fellow subsidiary and a bank amounting to approximately HK\$68,352,000 (as at 31 December 2015: HK\$64,819,000) for performance guarantees issued by the fellow subsidiary and the bank in respect of certain property management service contracts undertaken by the Group.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

## 20. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these condensed financial statements, the Group had the following significant transactions with related parties during the period:

NATURE OF TRANSACTIONS	Notes	Six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
<b>FELLOW SUBSIDIARIES/ IMMEDIATE HOLDING COMPANY/INTERMEDIATE HOLDING COMPANY</b>			
Property management income	(i)	103,378	128,698
Engineering income	(i)	7,527	6,300
Management fees expense	(i)	274	264
Rental expense	(ii)	2,759	2,616
<b>RELATED COMPANIES</b>			
Property management income	(iii)	28,670	13,829
<b>KEY MANAGEMENT (INCLUDING DIRECTORS)</b>			
Remuneration		11,171	2,079

Notes:

- (i) Property management income, engineering income and management fees expense are charged at rates in accordance with respective contracts.
- (ii) Rental expense is charged in accordance with respective tenancy agreements.
- (iii) The property management income is charged at rates in accordance with respective contracts.

## 21. FAIR VALUE MEASUREMENT

### (a) Financial instruments

As at 30 June 2016 and 31 December 2015, the Group did not have any financial instruments measured at fair value, accordingly, no analysis on fair value hierarchy is presented.

Financial instruments not measured at fair value include trade and other receivables, trade and other payables, deposits under current assets and current liabilities, amounts due from/to immediate holding company, fellow subsidiaries and related companies, bank balances and cash, and bank borrowing.

Due to their short-term in nature, the carrying values of the above financial instruments approximate their fair values.

### (b) Non-financial assets

The fair value of the investment properties as at 30 June 2016 is a level 3 recurring fair value measurement and determined using the same approach as the last year ended. During the six months ended 30 June 2016, there were no transfers among level 1, level 2 and level 3.

## OTHER INFORMATION

### INTERIM DIVIDEND

After reviewing the result performance of the Group for the interim period and the working capital requirements for the future expansion of its business, the Board declared the payment of an interim dividend of HK1.1 cents per share (2015: Nil) for the period ended 30 June 2016 that will be payable on Friday, 7 October 2016 to the members of the Company registered in the register of members of the Company (the "Register of Members") as at the close of business on Friday, 9 September 2016.

### CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed on Friday, 9 September 2016, which no transfer of shares will be registered on that day. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 8 September 2016.

### SHARE CAPITAL

The Company's total issued share capital as at 30 June 2016 was 3,286,860,460 ordinary shares ("Shares").

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

Throughout the six months ended 30 June 2016, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code for dealing in the securities of the Company by the directors of the Company and the relevant employees of the Group. After specific enquiries by the Company, all the directors of the Company and the relevant employees of the Group have confirmed that they have complied with the requirements set out in the Model Code throughout the six months ended 30 June 2016.

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2016, the directors and chief executive of the Company and their respective associates had the following interests in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code adopted by the Company:

#### (a) Long Positions in Shares and Underlying Shares of the Company

Name of director	Nature of interest	Number of shares held	Approximate percentage of interest in the Company (%) <i>Note 1</i>
Mr. Hao Jian Min	Beneficial owner	2,082,724	0.063

## OTHER INFORMATION (continued)

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES (continued)

#### (b) Long Positions in Shares and Underlying Shares of the Company's Associated Corporations

Name of director	Name of associated corporation	Nature of interest	Number of shares held	Approximate percentage of interest (%) Notes 2 and 3
Mr. Hao Jian Min	China Overseas Land and Investments Limited ("COLI")	Beneficial owner	3,353,172	0.034
Ms. Wang Qi	Far East Global Group Limited ("Far East Global")	Beneficial owner	46,000	0.002
Mr. Shi Yong	Far East Global	Beneficial owner	1,000,000	0.05

Notes:

1. The percentage represents the number of shares interested divided by the number of the Company's issued shares as at 30 June 2016 (i.e. 3,286,860,460 shares)
2. The percentage represents the number of shares interested divided by the number of COLI's issued shares as at 30 June 2016 (i.e. 9,860,581,381 shares)
3. The percentage represents the number of shares interested divided by the number of Far East Global's issued shares as at 30 June 2016 (i.e. 2,155,545,000 shares)

## OTHER INFORMATION *(continued)*

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES *(continued)*

Save as disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any director or chief executive of the Company or their respective associates in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein. Nor any of the directors and chief executive of the Company (including their spouses and children under the age of 18) had, as at 30 June 2016, any interest in, or had been granted any right to subscribe for the shares and options of the Company and its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2016, the following parties (other than directors or the chief executive of the Company) were the substantial shareholders of the Company (as defined in the Listing Rules) and had interests in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity	Number of shares held or interested	Approximate percentage of interest (%)
Silver Lot Development Limited ("Silver Lot")	Beneficial owner	169,712,309	5.16
China Overseas Holdings Limited ("COHL") <sup>Note 1</sup>	Beneficial owner	1,841,328,751	61.18
	Interest of controlled corporation	169,712,309	
China State Construction Engineering Corporation Limited ("CSCECL") <sup>Note 2</sup>	Interest of controlled corporation	2,011,041,060	61.18
China State Construction Engineering Corporation ("CSCEC") <sup>Note 2</sup>	Interest of controlled corporation	2,011,041,060	61.18

## OTHER INFORMATION *(continued)*

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES *(continued)*

Notes:

1. *Silver Lot is a direct wholly-owned subsidiary of COHL and therefore, COHL is deemed by the SFO to be interested in the shares in which Silver Lot is or is taken to be interested.*
2. *COHL is a direct wholly-owned subsidiary of CSCECL, which in turn is a direct non-wholly owned subsidiary of CSCEC, and therefore, CSCECL and CSCEC are deemed by the SFO to be interested in the shares in which COHL is or is taken to be interested.*

Save as disclosed above, the Company had not been notified by any other person (other than directors or the chief executive of the Company) who had an interest in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30 June 2016.

### CORPORATE GOVERNANCE

During the six months ended 30 June 2016, the Company has applied and complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

### CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information of the directors of the Company since the date of the 2015 annual report of the Company up to 19 August 2016 (the date of this Interim Report) are set out below:

<b>Name of directors</b>	<b>Details of changes</b>
Mr. Yang Ou	Retired as a director of the Company with effect from the conclusion of the annual general meeting of the Company held on 6 May 2016
Mr. Yung Wing Ki, Samuel	Appointed as Member cum Chairperson of the Finance Committee of The Board of Management of The Chinese Permanent Cemeteries with effect from 1 April 2016  Resigned as independent non-executive director of Fittec International Group Limited (Stock Code: 2662) with effect from 31 May 2016

## OTHER INFORMATION *(continued)*

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### **REVIEW OF INTERIM REPORT BY AUDIT COMMITTEE**

The Audit Committee of the Company has reviewed the Company's interim report for the six months ended 30 June 2016, and discussed with the Company's management regarding internal control and other important matters.



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