中海物業集團有限公司
CHINA OVERSEAS PROPERTY HOLDINGS LIMITED

Stock Code 股份代號：2669

物有所依 業有所託
PROPERTY ASSETS TO BE ENTRUSTED

2018
INTERIM REPORT
中期報告

目錄

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman And Non-Executive Director

Yan Jianguo *(Chairman)*

Executive Directors

Yang Ou *(Chief Executive Officer)*
(appointed on 22 March 2018)
Wang Qi *(Vice Chairman and Chief Executive Officer)*
(resigned on 22 March 2018)
Pang Jinying *(appointed on 22 August 2018)*
Luo Xiao *(resigned on 22 August 2018)*
Shi Yong *(resigned on 22 August 2018)*
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 *(Chairman)*
Lim Wan Fung, Bernard Vincent
Suen Kwok Lam

Nomination Committee

Yan Jianguo *(Chairman)*
Lim Wan Fung, Bernard Vincent
Suen Kwok Lam
Yung Wing Ki, Samuel

Remuneration Committee

Suen Kwok Lam *(Chairman)*
Yan Jianguo
Lim Wan Fung, Bernard Vincent
Yung Wing Ki, Samuel

COMPANY SECRETARY

Sin Lai Lan *(appointed on 12 May 2018)*
Leung Yim Yu *(resigned on 12 May 2018)*

AUTHORISED REPRESENTATIVES

Yan Jianguo
Yang Ou *(appointed on 22 March 2018)*
Pang Jinying *(alternate to Yan Jianguo)*
(appointed on 22 August 2018)
Luo Xiao *(alternate to Yan Jianguo)*
(resigned on 22 August 2018)
Kam Yuk Fai *(alternate to Yang Ou)*

INDEPENDENT AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

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

Suite 703, 7/F, Three Pacific Place,
1 Queen's Road East,
Hong Kong
Telephone: (852) 2988 0600
Facsimile: (852) 2988 0606
Website: www.copl.com.hk

BRANCH OFFICE IN HONG KONG

19th Floor, China Overseas Building,
No.139 Hennessy Road and
No.138 Lockhart Road, Wanchai,
Hong Kong
Telephone: (852) 2823 7088
Facsimile: (852) 3102 0683
Website: www.copl.com.hk

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers 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

LEGAL ADVISORS

As to Hong Kong laws:

Mayer Brown JSM

As to Cayman Islands laws:

Conyers Dill & Pearman

PRINCIPAL BANKERS

(In Alphabetical Order)

Bank of Communications Co., Ltd., Hong Kong Branch
China Construction Bank Corporation
DBS Bank Ltd., Hong Kong Branch
The Hongkong and Shanghai Banking Corporation Limited

STOCK CODES

The Stock Exchange of Hong Kong*	2669
Bloomberg	2669:HK
Reuters	2669.HK

* Currently one of the eligible securities for Southbound Trading under the Shenzhen-Hong Kong Stock Connect

FINANCIAL CALENDAR 2018

Interim Results Announcement	22 August
Interim Dividend Ex-dividend Date	17 September
Interim Dividend Record Date	20 September
Interim Dividend Payment Date	5 October

INVESTOR AND PUBLIC RELATIONS

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

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 2018. In ongoing adherence to the customer-oriented business strategy, we have provided premium property management services in Mainland China, Hong Kong and Macau on the back of the recognition and support of property developers and owners with whom we have developed longstanding partnerships. Leveraging the strong brand recognition of "China Overseas Property", the Group seized business opportunities in a timely manner and effectively addressed business risks by strengthening control over the application and allocation of resources, while pursuing business diversification with ongoing expansion in terms of geographic coverage and business volume.

As at 30 June 2018, the Group provided property management services to 662 properties located across 73 cities and regions in Hong Kong, Macau, and the People's Republic of China (the "PRC"), with an aggregate gross floor area ("GFA") under management of approximately 131.7 million sq.m., with the support of 30,348 employees. The categories of properties under management include mid- to high-end residential units/commercial buildings, commercial complex, hotels and government properties.

The Group operates a diverse range of businesses. Apart from providing premium basic property services, such as facilities repair and maintenance, cleaning and landscape and security management, which would add value to properties and enhance their reputation, we also provide comprehensive, end-to-end property management services for property development projects, including consultation relating to product positioning, recommendations for the selection of equipment models, pre-delivery services, move-in assistance services, delivery inspection services, as well as engineering services quality control and consulting services. Through the provision of sound property management services, we have also developed close relations with the communities we serve and have earned their trust. Such relationship is conducive to the expansion of our mobile internet-based operation of customers' assets and daily services and our effort to tap the immense potential spending powers of these communities.

REVIEW OF RESULTS

For the six months ended 30 June 2018, total GFA of the properties under our management increased by 2.7% or 3.4 million sq.m. to 131.7 million sq.m.. New/renewed property management contracts secured during the period amounted to a total contract sum of approximately HK$304.4 million, with a total contract sum (for property management contracts with fixed expiry dates) for services to be rendered of approximately HK$1,980.1 million as of 30 June 2018.

The six-month turnover of the Group increased by 19.8% to HK$1,906.9 million from the turnover of HK$1,592.1 million (restated due to the completion of an acquisition last year) for the corresponding period last year. Operating profit for the period rose by 39.0% to HK$315.7 million (2017: HK$227.0 million (restated)). The profit attributable to owners of the Company increased by 38.6% to HK$220.8 million, comparing to HK$159.3 million (restated) for the same period in 2017. Basic earnings per share was HK6.72 cents (2017: HK4.85 cents (restated)), an increment of 38.6%. Average return on equity was 46.7% (2017: 36.0% (restated)).

PROSPECTS

The Economy

Amid the ever-changing global economic landscape, the political wrestling has exerted increasing impacts on different economies. The escalating Sino-US trade disputes and the emergence of protectionism have brought uncertainties to the economic environment, which has just shown sign of recovery. With various economic indicators showing a gradual improvement in the US, the Federal Reserve has begun a new cycle of interest rate hike since late 2016, with the rate raised by 25 basis points for each hike. While there had been an aggregate of four rate hikes until the end of last year, there were yet another two rate rises in the first half of this year. It can be foreseen that the rate rise will sustain in the future. Moreover, the US will continue its effort in its balance sheet reduction at a steady pace, which will aggravate the reversal in global capital flows.

PROSPECTS *(continued)*

The Economy *(continued)*

In the face of the severe external environment, China's solid financial policy provides a favorable protection for the stability of the economic climate. Moderate directional reserve requirement ratio cut, as a means to reduce systemic financial risks with continuous deleveraging efforts, also provides sufficient liquidity to specific markets. The GDP of the world's second largest economy increased by 6.8% over the same period of last year, within a reasonable range of the country's annual target of 6.5%. Although the international trade friction may have a certain impact on the economic growth in the short term, yet in the long run, under the unshakable structural reform objectives, by making progress while maintaining stability, advancing in the new direction of high-quality development, adhering to the law of market supply and demand for resource allocation, and strengthening technological innovation as well as optimizing traditional enterprises, China will surely make a breakthrough and facilitate a steady and healthy economic development.

Property Management

In the wake of thriving development of the national economy, people have seen a rise in their disposable income and a robust consumption demand for various goods and services. An influential group of consumers mainly comprising new bourgeois is emerging, which brings about profound impacts on a wide range of industries, and provides rare yet valuable development opportunities for the property management industry. Our community is manifesting its value as a gateway to consumer spending and social networking, with unique advantages that one can hardly find equally worthy ones. The right to community management of property management enterprises presents ample opportunities for them to have frequent contacts with their customers in the usual course of their business, enabling them to closely understand their customers' needs and gain their trust, thus creating plenty of opportunities.

PROSPECTS *(continued)*

Property Management *(continued)*

However, when property management enterprises try to pursue business diversification, the segments may be mature industries that have existed for years with established landscape, such as housing agency and household renovation, or the so-called emerging segments such as new retail that face huge competitions from various players including, among others, the internet giants. Regardless of their choice, they may encounter obstacles and hindrance. Similarly, potential rivals outside the industry will infiltrate into the community by all kinds of means and compete with property management enterprises directly. Therefore, the question of how to identify the business differentiation, and of how to take advantage of it, will decide the ultimate survival of property management enterprises moving forward to diversity.

Currently, traditional services are still the major income source for most enterprises and the operation of such business will continue to be under huge pressure. How to maintain and improve service quality to win customers' trust so as to seek for more premium on services and make "Good Quality at Good Price" a reality remains to be a paramount concern for property management enterprises. The property management industry faces tremendous challenges from components of production costs, especially labour costs, and there is no sign of relief in the short run. Refined management and control, informationalised effectiveness enhancement and partial outsourcing are the only ways to hedge against such challenge. Cost reduction and efficiency increase become the core survival ability of the enterprise.

Meanwhile, amid intensifying industry consolidation, dominant enterprises are gaining market shares at a fast pace, which makes market expansion a must for a property enterprise. In the future, the industry will become stratified and big-time enterprises will acquire more competitive resources with their superior operational size and brand recognition. Their operational and profitability models are distinctly different from those of small and medium-sized enterprises. Widening disparity in terms of enterprise size and competitiveness will become the characteristic of the industry.

PROSPECTS *(continued)*

Group Strategy

Since the founding of the Group, it has established a well-renowned brand and achieved a market leading position through its efforts and commitment over the last three decades. Given the development opportunities arising from urbanisation and modernisation, sustained robust performance in the real estate and infrastructure sector, coupled with a gradual improvement and liberation in the policies and ancillary measures implemented by the government and within the industry, the Group is determined to achieve continuous growth of our business through the following strategies:

1. *Integrating resources efficiently while expanding continuously in a quality manner*

   The Group fully recognises that the scale of business is one of the competitive arenas in our industry, and therefore we explore the market proactively with a view to expanding our market presence. The Group will fully play to the strengths of its brands and resources within the system to capture all emerging opportunities against the backdrop of social reform and industrial consolidation. While we continue to flourish in markets in various major cities in Mainland China in a flexible and dynamic manner, we strive to make inroads to other third-tier or fourth-tier cities and penetrate into top cities in developed countries when opportunity arises. In addition, by leveraging our solid foundation in the mid to high-end residential development sector, we explore more business opportunities aggressively in different types of properties including office premises, industrial parks, schools, hospitals and municipal facilities.

PROSPECTS *(continued)*

Group Strategy *(continued)*

2. *Developing a tailor-made full-service value chain for developers and institutional clients*

   Our sophisticated experience in serving clients from different sectors over the years has brought to the Group an opportunity to expand our business to different sectors. We provide all-encompassing and thorough real estate development services targeting developers, property management companies and institutional clients, which cover pre-development engineering and design consultation, sales agency, sales services, investment property leasing; pre-delivery work inspection, repair assistance, engineer design and construction; and post-delivery repair and maintenance of equipment and facilities and operation of business projects. The sheer scope of our all-round services allow us to establish a long-term and stable cooperative relationship with our clients, thereby tapping into the value of property management services in the entire life cycle of real estate development in a profound way.

3. *Providing diversified service experience and improving both quality of life and property value*

   In light of the enormous business opportunities presented by the consumption demand from property owners, the Group provides the owners with diversified value-added services such as leasing and sale agency, entrustment, renovation for new residential units and refurbishment and functional transformation for old housing premises, household cleaning and housekeeping, retail and group purchases, tourism and leisure, educational training and elderly healthcare to build a better community life. As for the public business resources of the community, such as the advertising media agency, we provide professional business solicitation and operation so as to achieve value preservation and betterment of public assets in the community.

PROSPECTS *(continued)*

Group Strategy *(continued)*

4. *Utilising new technology and informationalised means to lower costs and raise effectiveness*

   The Group strives to keep up with the trends in technology by utilising the Internet of Things and smart hardware technology, developing smart communities that adopt smart car parks, smart entrance guards and smart equipment monitoring systems to enhance safety and accessibility for the owners. It also boosts the efficiency of the daily routines of frontline workers. With technologies of the Internet, we have established online and offline portals for owners to connect with real estate companies, neighbours and various kinds of service resources, resulting in a digital life for the owners. We utilise new energy technologies to change the energy consumption mode in our projects, such as promoting wide usage of energy-saving lights, so as to minimise energy consumption and costs and protect our living environment. We enhance the effectiveness of our business management and communication and implement quantitative controllable initiatives with the aid of informationalised means, which indirectly contributes to the reduction of our operating expenses. The achievements in the research and development of the Group have laid a solid technological foundation for the development of informationalised development and enhanced service output of the enterprise.

PROSPECTS *(continued)*

Group Strategy *(continued)*

5. *Emphasising service quality, pursuing customer satisfaction and building our reputation*

   The Group considers quality management as one of the key elements of its corporate competitiveness and continuously maintains a service value creation system. The Group identifies the key touchpoints and the MOT (Moment of Truth) of its customers by centring on their experience and feelings. Under the idea of property management serves product design, we have come up with optimal designs for the service provision system, including the innovation of servicing mode, the improvement of service and product details, and the enhancement of service procedure, so as to constantly improve the timeliness and efficiency of our services. It not only makes the services noticeable, perceptible, identifiable and testable, but also diversify our approaches to quality control, leading to improved efficiency and effectiveness of quality control and further assurance for the stability of our service quality. The Group adheres to the practice of introducing service evaluation by our third-party vendors, such as research on customer satisfaction by third-party vendors and mystery customer surveys, so as to ensure that our property management and service standard remain top-notch.

PROSPECTS *(continued)*

Group Strategy *(continued)*

6. *Strong assurance of human resources for the long-term development of the Group*

   We play an active role in constructing and continuously optimising and improving our system for selection, deployment, cultivation and retention of talents, enabling the Group to unceasingly supplement our workforce with outstanding talents and nurture them in support of the long-term healthy development of our business. With regard to recruitment, the Group has been strengthening the brand-building effort from the employer's side. We actively attract outstanding college graduates and industry talents through on-campus recruitment for our management trainee programme, recruitment of elite from society, head-hunting programme for top-notch talents. We also recruit veterans under the military-business collaboration, which not only addresses the social issue but also fulfils the need to enhance the quality of our personnel. On top of that, our cultivation of property management elite is achieved through school-enterprise cooperative models such as education programmes jointly offered by schools and enterprises in Xiongan and "China Overseas' Class", a customised course offered by professional institutions, forming an important talent pool for our teams of professionals for the Group. In terms of nurturing talents, the Group has built a multi-level and multi-front talent cultivation system. We have worked out a tailor-made talent cultivation plan for each category and level of our staff hierarchy with reference to the characters and career development of our employees. From the beginner programme for identifying potential talents, the training programme for developing our staff echelon, the career enhancement programme for our reserve talents as well as the leadership programme for the senior management, to a professional system for developing high-calibre staff in their specialised field, a cultivation system addressing the full lifecycle of our employees' careers has been designed to drive them to achieve career advancements.

PROSPECTS *(continued)*

Group Strategy *(continued)*

7. Fulfilling social responsibilities

The Group has profound understanding of its own social responsibilities, endeavouring to meet the expectations from the society and actively participating in community welfare initiatives. During the first half of 2018, the Group organised a major event called "Green China Overseas • Green Carnival" for our brand, hosting over 390 events across the country, of which 44 are for community welfare causes, with an aggregate of over 140,000 property owners having participated in the events. The Group joined hands with the property owners in living a green lifestyle, as well as showing our care to and sharing our warmth with those in need. We have played an active role in engaging in volunteer activities such as "Bringing love and care to Hope School", "Charity walk for rural schools", "Caring for children with special needs" and "Pink Family-Care for women". Apart from these, we have also donated teaching materials and textbooks to a number of schools and offered rehabilitation equipment to breast cancer patients, fulfilling our social responsibilities with concrete actions.

Looking ahead, we are convinced that the industry will meet a momentous opportunity for prosperous development. The Group will always adhere to its initial aspirations and pursue its lofty ambitions unswervingly, bearing in mind the idea of "Property Assets To Be Entrusted" and other values of the Group, with a view to achieving mutual benefit and growth in value for our shareholders, customers, employees and even our society.

APPRECIATION

I would like to take this opportunity to express sincere appreciation to my fellow directors and all colleagues for their hard work and to our business partners and shareholders for their longstanding support.

Yan Jianguo
Chairman and Non-executive Director
Hong Kong, 22 August 2018

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, which 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 first half of 2018, the GFA under our management increased by 2.7% from last year end, and by 8.3% to 131.7 million sq.m. from the restated GFA at the end of last corresponding period. This continuously strengthened our revenue base and improved our market competitive position.

As disclosed in last year's annual report, the Group extended its geographic coverage and business volumes in last year through the acquisition of property management businesses of approximately 120 property management contracts in the PRC at a consideration of RMB190.0 million (equivalent to approximately HK$228.9 million at that time) (the "Acquisition"). According to the accounting standards, the consolidated financial statements would be presented using the principles of merger accounting, as if the Group had been combined with the acquired companies in the Acquisition at the outset. The comparative figures for the six months ended 30 June 2017 were restated accordingly.

Total revenue increased by 19.8% to HK$1,906.9 million for the six months ended 30 June 2018, comparing to HK$1,592.1 million (restated) in the last period. The increase was primarily due to (i) increasing GFA under our management; (ii) further expansion in the scope of our value-added services; and (iii) the effect of average appreciation of Renminbi against Hong Kong dollar during the past twelve months.

Benefiting from the synergies of the Acquisition, direct operating expenses increased by 19.2% that was slightly below the rate of increase in revenue, from HK$1,156.6 million (restated) in 2017 to HK$1,378.5 million for the period. Accordingly, gross profit for the period increased by 21.3% against last period to HK$528.3 million (2017: HK$435.5 million (restated)). For the six months ended 30 June 2018, gross profit margin slightly improved to 27.7% from 27.4% (restated) in the last period.

BUSINESS REVIEW *(continued)*

Revenue and Operating Results *(continued)*

Other income and gains, net, increased by 27.9% to HK$24.0 million for the period (2017: HK$18.8 million (restated)), of which, interest income and unconditional government grants amounted to HK$19.6 million and HK$3.7 million respectively (2017: HK$16.3 million (restated) and HK$2.3 million (restated) respectively). The increase in interest income mainly benefited from a higher level of average cash balances against last period end together with more effective treasury management.

During the period, to continue streamlining assets allocation, additional properties held for own-use were changed for rental purpose and fair value gain on investment properties for the period was HK$3.6 million (2017: HK$4.2 million). Accordingly, the carrying value of investment properties thus increased to HK$137.1 million for the period from HK$106.1 million at last year end.

After deducting selling and administrative expenses of HK$240.3 million for the period (2017: HK$231.5 million (restated)), operating profit increased by 39.0% to HK$315.7 million (2017: HK$227.0 million (restated)). While enhancing the promotion of value-added services, it also benefited from the synergies of the Acquisition. The increase in selling and administrative expenses was moderate and was much lower than the increase in revenue driven by scale expansion and the effects of economic of scale.

Overall, profit attributable to owners of the Company for the six months ended 30 June 2018 increased by 38.6% to HK$220.8 million against the last corresponding period (2017: HK$159.3 million (restated)).

SEGMENT INFORMATION

Property Management Services

Revenue from property management services constituted 92.9% of total revenue for the six months ended 30 June 2018 (2017: 93.7% (restated)), and increased by 18.8% from last period to HK$1,771.6 million (2017: HK$1,491.5 million (restated)). The increase in revenue from property management services was mainly arisen from (i) increasing GFA under our management; and (ii) the effect of average appreciation of Renminbi against Hong Kong dollar during the past twelve months.

SEGMENT INFORMATION *(continued)*

Property Management Services *(continued)*

For the six months ended 30 June 2018, approximately 85.5% and 7.2% of the segment revenue were generated from regular property management contracts under lump sum basis and commission basis respectively (2017: 85.2% (restated) and 7.0% (restated) respectively). Other property management services, including (for property developers) pre-delivery services and move-in assistance services, represented 7.3% of the remaining segment revenue (2017: 7.8% (restated)).

The segment gross profit margin was 26.4% for the period (2017: 25.4% (restated)). Accordingly, the gross profit of our property management services segment increased by 23.1% to HK$467.0 million for the six months ended 30 June 2018 (2017: HK$379.3 million (restated)).

After deducting the administrative expenses and taking into accounts the other income, the segment profit of the property management services increased by 53.8% to HK$284.6 million for the current period (2017: HK$185.1 million (restated)). The improvement of segment result was also partly due to the synergies from the Acquisition and the effects of economic of scale upon expansion. Meanwhile, the increase in interest income also benefited from a higher level of average cash balances against last period end together with more effective treasury management.

Value-added Services

Revenue from the value-added services segment constituted 7.1% of total revenue for the six months ended 30 June 2018 (2017: 6.3% (restated)), and increased by 34.3% to HK$135.2 million from last period (2017: HK$100.7 million). Customers' recognition and satisfaction of our traditional property management services facilitates the expansion of our community leasing, sales and other services to residents and tenants of the properties under our management, and promotes the lifestyle quality of our customers. The services offered through our online-to-offline platform further diversifies our product offerings and marketing channels for our community leasing, sales and other services business. These services cover (i) self-owned asset management, including management of self-owned properties and car parks; (ii) customer asset management services, including owner asset agency services, public resource leasing assistance services, etc.; and (iii) customer living services, including the purchasing, home and other services provided around the customers' quality of life.

SEGMENT INFORMATION *(continued)*

Value-added Services *(continued)*

In respect of the profitability, the performance of other value-added services such as customer living services and customer asset management services was satisfactory, and compensated the adverse impact on average gross profit margin as a result of the expansion of the service and product range (2018: 45.3%; 2017: 55.8%). Overall, the gross profit of the value-added services segment increased to HK$61.3 million in the first half of 2018 from HK$56.2 million in the first half of 2017.

The segment profit from the value-added services, having taking into accounts other segment overhead (including promotional selling expenses and development cost on enhancement of online-to-offline platform and intelligence measures), slightly increased by 0.2% against last corresponding period to HK$51.6 million (2017: HK$51.5 million).

LIQUIDITY, FINANCIAL RESOURCES AND DEBT STRUCTURE

The Group adopts prudent financial policies, with effective financial and cash management under centralized supervision, and maintains adequate cash balances. As at 30 June 2018, net working capital amounted to HK$764.6 million (as at 31 December 2017: HK$873.9 million).

During the six months ended 30 June 2018, the Group has fully settled all bank borrowings of HK$265.0 million, and interest of such borrowings was charged at floating rates with a weighted average of 2.88% per annum. Meanwhile, bank balances and cash decreased by 18.8% to HK$2,200.6 million from last year end (as at 31 December 2017: HK$2,711.0 million), in which, 93.2% were denominated in Renminbi and 6.8% were denominated in Hong Kong Dollar/Macau Pataca.

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 asset values 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 asset values and financial results. At present, we have not entered into or traded 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.

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 and enter into such hedging arrangement, if and when appropriate.

CAPITAL EXPENDITURES

The capital expenditures, which mainly represent additions to leasehold improvement, motor vehicles, machinery and equipment, furniture, fixtures, office equipment and software systems, were HK$10.8 million for the six months ended 30 June 2018.

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

As disclosed in the announcement on 11 July 2018, on the same day, Shenzhen Xinghai Investment Co., Ltd. (深圳市興海投資有限公司), a wholly-owned subsidiary of the Company, as the purchaser (the "Purchaser") entered into sale and purchase agreements (the "Sale and Purchase Agreements") with Qingdao Zhonghai Shengxing Real Estate Co., Ltd. (青島中海盛興房地產有限公司) and Dalian Zhonghai Xiangye Real Estate Development Co., Ltd. (大連中海興業房地產開發有限公司), the subsidiaries of China Overseas Land & Investment Limited, as the sellers whereas the Purchaser agreed to assume the right to use the car parking spaces located in residential development projects in Qingdao and in Dalian at a consideration of approximately RMB10.5 million (equivalent to approximately HK$12.4 million) and RMB15.2 million (equivalent to approximately HK$18.0 million), respectively.

MATERIAL ACQUISITIONS, DISPOSALS, SIGNIFICANT INVESTMENT AND FUTURE PLANS OF MATERIAL INVESTMENT *(continued)*

Save as disclosed above, the Group had no material acquisitions, disposals, significant investments and future plans of material investment during the six months ended 30 June 2018.

CONTINGENT LIABILITIES

The Group provided counter-indemnities amounting to approximately HK$71.9 million as at 30 June 2018, 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 2018.

EMPLOYEES

As at 30 June 2018, the Group had approximately 30,348 employees (as at 31 December 2017: 30,014). The pay levels of these employees are commensurate with their responsibilities, performance and the prevailing market conditions. The remuneration packages included basic salaries, discretionary bonus and provident fund contributions/ retirement pension scheme. Certain selected key personnel of the Group were also entitled to participate in a share incentive scheme of an intermediate holding company of the Group. The total staff costs incurred for the six months ended 30 June 2018 was approximately HK$1,048.5 million (2017: HK$903.3 million (restated)).

As part of our comprehensive training programme, we have provided classroom and online training to our staff to enhance technical and service knowledge as well as knowledge of industry quality standards and workplace safety standards.

CONDENSED CONSOLIDATED INCOME STATEMENT

The unaudited condensed consolidated results of the Group for the six months ended 30 June 2018 and the comparative figures for the corresponding period in 2017 are as follows:

	Note	Six months ended 30 June 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000 (Restated)
Revenue	5	**1,906,855**	1,592,148
Direct operating expenses		**(1,378,516)**	(1,156,633)
Gross profit		**528,339**	435,515
Other income and gains, net	7	**24,026**	18,792
Gain arising from changes in fair value of investment properties		**3,630**	4,216
Selling and administrative expenses		**(240,343)**	(231,486)
Operating profit		**315,652**	227,037
Share of profits of an associate		**80**	77
Finance costs	8	**(3,239)**	(4,551)
Profit before tax	6, 9	**312,493**	222,563
Income tax expenses	10	**(88,306)**	(64,159)
Profit for the period		**224,187**	158,404
Attributable to:			
Owners of the Company		**220,823**	159,285
Non-controlling interests		**3,364**	(881)
		224,187	158,404
		HK Cents	HK Cents
Earnings per share	12		
Basic and diluted		**6.72**	4.85

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
		(Restated)
Profit for the period	**224,187**	158,404
Other comprehensive income		
Item that will not be reclassified subsequently to profit or loss:		
Surplus on revaluation of properties transferred from self-use properties to investment properties, net of tax	**21,503**	13,131
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of subsidiaries of the Company	**(10,453)**	26,784
	11,050	39,915
Total comprehensive income for the period	**235,237**	198,319
Total comprehensive income attributable to:		
Owners of the Company	**232,056**	199,071
Non-controlling interests	**3,181**	(752)
	235,237	198,319

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Non-current assets			
Investment properties		137,107	106,083
Property, plant and equipment	13	34,919	34,924
Intangible assets	13	6,600	5,419
Prepaid lease payments for land		1,590	1,965
Interest in an associate		432	352
Amount due from a related company		89,317	90,393
Deferred tax assets		33,168	29,510
		303,133	268,646
Current assets			
Inventories		9,614	9,664
Trade and other receivables	14	719,207	467,253
Deposits and prepayments		54,415	40,486
Prepaid lease payments for land		280	301
Amount due from immediate holding company		158	96
Amounts due from fellow subsidiaries		46,608	49,486
Amounts due from related companies		25,498	11,056
Tax prepaid		–	39
Bank balances and cash		2,200,625	2,711,015
		3,056,405	3,289,396
Current liabilities			
Trade and other payables	15	1,472,173	1,592,755
Receipts in advance and other deposits		609,566	651,660
Amount due to immediate holding company		1,558	1,417
Amounts due to fellow subsidiaries		49,174	57,488
Amounts due to related companies		4,155	3,794
Tax liabilities		155,225	108,346
		2,291,851	2,415,460

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	Note	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Net current assets		**764,554**	873,936
Total assets less current liabilities		**1,067,687**	1,142,582
Non-current liabilities			
Deferred tax liabilities		**22,003**	16,029
Bank borrowings	16	**–**	265,000
		22,003	281,029
Net assets		**1,045,684**	861,553
Capital and reserves			
Share capital	17	**3,287**	3,287
Reserves		**1,033,875**	852,888
Equity attributable to owners of the Company		**1,037,162**	856,175
Non-controlling interests		**8,522**	5,378
Total equity		**1,045,684**	861,553

	Attributable to owners of the Company									
	Share capital HK$'000	Translation reserve HK$'000	Capital reserve HK$'000	PRC statutory reserve HK$'000	Special reserve HK$'000	Other property revaluation reserve HK$'000	Retained profits HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2017, as previously reported (Audited)	3,287	(52,209)	–	35,783	18,138	–	723,130	728,129	–	728,129
Acquisition of CITIC Acquired Property Management Group (Note 3)	–	(11,907)	–	4,634	98,036	–	(2,249)	88,514	4,586	93,100
At 1 January 2017, as restated (Audited)	3,287	(64,116)	–	40,417	116,174	–	720,881	816,643	4,586	821,229
Profit for the period	–	–	–	–	–	–	159,285	159,285	(881)	158,404
Surplus on revaluation of properties transferred from self-use properties to investment properties, net of tax	–	–	–	–	–	13,131	–	13,131	–	13,131
Exchange differences on translation of subsidiaries of the Company	–	26,655	–	–	–	–	–	26,655	129	26,784
Total comprehensive income for the period	–	26,655	–	–	–	13,131	159,285	199,071	(752)	198,319
Capital contribution relating to share-based payments borne by intermediate holding company (Note 9)	–	–	323	–	–	–	–	323	–	323
Acquisition of the companies engaging in the property management business in connection with the reorganisation before the COP Acquisition (Note 3)	–	–	–	–	(17,489)	–	–	(17,489)	–	(17,489)
Transfer to PRC statutory reserve	–	–	–	876	–	–	(876)	–	–	–
Dividends to then owners of subsidiaries under the CITIC Acquired Property Management Group (Note 11)	–	–	–	–	–	–	(11,339)	(11,339)	–	(11,339)
2016 final dividends approved (Note 11)	–	–	–	–	–	–	(36,155)	(36,155)	–	(36,155)
At 30 June 2017, as restated (Unaudited)	3,287	(37,461)	323	41,293	98,685	13,131	831,796	951,054	3,834	954,888

	Attributable to owners of the Company									
	Share capital HK$'000	Translation reserve HK$'000	Capital reserve HK$'000	PRC statutory reserve HK$'000	Special reserve HK$'000	Other property revaluation reserve HK$'000	Retained profits HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2018 (Unaudited)	3,287	(846)	751	45,604	(135,448)	17,433	925,394	856,175	5,378	861,553
Adjustment on adoption of HKFRS 9, net of tax (Note 4)	–	–	–	–	–	–	(1,945)	(1,945)	(37)	(1,982)
At 1 January 2018, as restated (Unaudited)	3,287	(846)	751	45,604	(135,448)	17,433	923,449	854,230	5,341	859,571
Profit for the period	–	–	–	–	–	–	220,823	220,823	3,364	224,187
Surplus on revaluation of properties transferred from self-use properties to investment properties, net of tax	–	–	–	–	–	21,503	–	21,503	–	21,503
Exchange differences on translation of subsidiaries of the Company	–	(10,270)	–	–	–	–	–	(10,270)	(183)	(10,453)
Total comprehensive income for the period	–	(10,270)	–	–	–	21,503	220,823	232,056	3,181	235,237
Capital contribution relating to share-based payments borne by intermediate holding company (Note 9)	–	–	179	–	–	–	–	179	–	179
Transfer to PRC statutory reserve	–	–	–	3,956	–	–	(3,956)	–	–	–
2017 final dividends approved (Note 11)	–	–	–	–	–	–	(49,303)	(49,303)	–	(49,303)
At 30 June 2018 (Unaudited)	**3,287**	**(11,116)**	**930**	**49,560**	**(135,448)**	**38,936**	**1,091,013**	**1,037,162**	**8,522**	**1,045,684**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Six months ended 30 June	
	Note	**2018 (Unaudited) HK$'000**	2017 (Unaudited) HK$'000 (Restated)
Net cash used in operating activities		**(190,898)**	(81,292)
Investing activities			
Interest received		**21,662**	11,281
Purchase of property, plant and equipment	13	**(8,288)**	(3,492)
Purchase of intangible assets	13	**(2,469)**	–
Decrease in bank deposits over three months maturity		**117,284**	–
Net proceeds on disposals of available-for-sale financial assets		**–**	1,597
Net proceeds on disposals of property, plant and equipment		**1,083**	23
Net cash from investing activities		**129,272**	9,409
Financing activities			
Interest and initial cost on bank borrowings paid		**(3,638)**	(4,761)
New bank borrowing	16	**–**	50,000
Repayment of bank borrowings	16	**(265,000)**	–
Decrease in amounts due from fellow subsidiaries – non-trade		**–**	1,315
Decrease in amounts due from related companies – non-trade		**–**	2,667
Decrease in amounts due to fellow subsidiaries – non-trade		**–**	(4,753)
Dividends paid to owners of the Company	11	**(49,303)**	(36,155)
Net cash (used in)/from financing activities		**(317,941)**	8,313

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

	Note	Six months ended 30 June 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000 (Restated)
Net decrease in cash and cash equivalents		**(379,567)**	(63,570)
Cash and cash equivalents at beginning of period		**2,451,979**	2,417,288
Effect of foreign exchange rate changes		**(14,644)**	72,773
Cash and cash equivalents at end of period		**2,057,768**	2,426,491

Bank balances and cash:	**30 June 2018 (Unaudited) HK$'000**	31 December 2017 (Audited) HK$'000
Bank balances and cash	**2,200,625**	2,711,015
Less: bank deposits over three months maturity	**(142,857)**	(259,036)
Cash and cash equivalents in the condensed consolidated statement of cash flows	**2,057,768**	2,451,979

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 Suite 703, 7/F., Three Pacific Place, 1 Queen's Road East, Hong Kong.

The Company's immediate holding company is China Overseas Holdings Limited ("COHL"), a company incorporated in Hong Kong. The ultimate holding company of the Company is China State Construction Engineering Corporation (中國建築集團有限公司) ("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 2018 (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 of Hong Kong Limited. 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 2017.

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

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 22 August 2018.

2. 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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Save as described in note 4 "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 2017.

3. APPLICATION OF BUSINESS COMBINATION UNDER COMMON CONTROL

On 20 October 2017, the Company (through its wholly-owned subsidiary) (the "Purchaser") entered into the acquisition agreement with wholly-owned subsidiaries of China Overseas Land & Investment Limited ("COLI"), a fellow subsidiary of the Company which incorporated in Hong Kong and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited, pursuant to which the Purchaser acquired the entire equity interest of 中信物業服務有限公司 (CITIC Property Service Company Limited*) and its subsidiaries (together, the "CITIC Acquired Property Management Group") on 21 December 2017 at a consideration of RMB190.0 million (equivalent to approximately HK$228.9 million at that time) (the "COP Acquisition").

For the purpose of these condensed consolidated financial statements, the companies now comprising the CITIC Acquired Property Management Group were under common control of COHL immediately before and after the COP Acquisition, which COHL's ultimate controlling party is the State Council of the PRC, therefore it is accounted for as a business combination under common control. Accordingly, the comparative figures of the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and related notes were restated using the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA, as if the current CITIC Acquired Property Management Group structure had been in existence throughout the periods presented, or since the date when the companies first came under the control of ultimate controlling party, whichever is a shorter period.

* The English name of the company is translation from its Chinese name and is for identification purposes only. If there is any inconsistencies, the Chinese name shall prevail.

4. ADOPTION OF NEW AND REVISED HKFRSs

HKFRS 15 Revenue from Contracts with Customers

The HKICPA has issued a new standard for the recognition of revenue. This has replaced HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. Depending on the terms of the contract and laws that apply to the contract, control of the goods or services may transfer over time or at a point in time.

The Group is mainly engaged in provision of property management and value-added services, services are mainly rendered over time. The Group adopted a modified retrospective approach for transition of HKFRS 15, while the Group did not have significant impact on application of the standard.

As at 1 January 2018 and 30 June 2018, receipts in advance amounting to HK$396,357,000 and HK$341,729,000 respectively, represented contract liabilities under HKFRS 15 in relation to advance payments made by the customers while the underlying services are yet to be provided.

HKFRS 9 Financial Instruments

The Group has adopted HKFRS 9 Financial Instruments with effective from 1 January 2018, which resulted in changes in accounting policies that HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has reviewed its financial assets and liabilities and there was no significant impact on the classification, measurement and derecognition. Hedge accounting is not applicable to the Group.

Under HKFRS 9, a new impairment model for financial assets requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. The new impairment model mainly affects the impairment assessment of trade receivables from property management services under lump sum basis. The Group applies the simplified approach to provide for ECL, which requires the use of the lifetime expected loss provision for all trade receivables.

4. ADOPTION OF NEW AND REVISED HKFRSs *(continued)*

HKFRS 9 Financial Instruments *(continued)*

In accordance with the transitional provisions in HKFRS 9, any adjustments related to the provision for impairment of trade receivables are recognised at 1 January 2018 with the difference recognised in opening retained profits. The condensed consolidated statement of finance position as at 31 December 2017 and provisions for impairment for the six months ended 30 June 2017 were not restated accordingly.

The following is a reconciliation of the opening effect on adoption of HKFRS 9 as at 1 January 2018:

	Trade receivables-provision for impairment HK$'000	Deferred taxation HK$'000	Non-controlling interests HK$'000	Retained profits HK$'000
At 31 December 2017, as previous reported (audited)	(47,902)	13,481	(5,378)	(925,394)
Effect on adoption of HKFRS 9	(2,512)	530	37	1,945
At 1 January 2018	**(50,414)**	**14,011**	**(5,341)**	**(923,449)**

4. ADOPTION OF NEW AND REVISED HKFRSs *(continued)*

HKFRS 9 Financial Instruments *(continued)*

As at 1 January 2018 and 30 June 2018, the impairment provision of trade receivables were determined as follows:

	Aging analysis			
	Within 1 year	1–2 years	Over 2 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2018:				
Expected loss rate	1%	12%	59%	
Gross carrying amount	285,882	68,587	67,804	422,273
Impairment provision	1,744	8,448	40,222	50,414
At 30 June 2018:				
Expected loss rate	1%	12%	55%	
Gross carrying amount	445,730	77,888	92,478	616,096
Impairment provision	2,927	9,286	51,079	63,292

The impairment provision for trade receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the table above.

The Group did not have significant impact on application of other new and revised HKFRSs, which are effective for the Group for period beginning on 1 January 2018.

4. ADOPTION OF NEW AND REVISED HKFRSs *(continued)*

The Group has not early applied the following applicable new and revised HKFRSs that have been issued but are not yet effective for the current accounting period.

Annual Improvements Project	*Annual Improvements 2015–2017 Cycle*[1]
HKFRS 9 (Amendments)	*Prepayment Features with Negative Compensation*[1]
HKAS 19 (Amendments)	*Employee Benefits*[1]
HKAS 28 (Amendments)	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
HKFRS 16	*Leases*[1]
HKFRS 10 and HKAS 28 (Amendments)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]

1 Effective for annual periods beginning on or after 1 January 2019

2 The mandatory effective date will be determined

The Group's preliminary assessment of the relevant impact of these new or revised standards and amendments is set out below.

HKFRS 16 Leases

HKFRS 16 will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised and initially measured on a present value basis that virtually balance of each other while total assets and total liabilities would be increased accordingly. The only exceptions are short-term and low-value leases. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the financial liability instead of rental expenses, and also classifies cash repayments on the financial liability into a principal portion and an interest portion and presents them in the statement of cash flows.

The accounting for lessors will not significantly change.

4. ADOPTION OF NEW AND REVISED HKFRSs *(continued)*

HKFRS 16 Leases *(continued)*

As at 31 December 2017, the Group had commitments for future minimum lease payments under non-cancellable operating leases as follows:

	31 December 2017 (Audited) HK$'000
Within one year	25,433
In the second to fifth year inclusive	21,480
Over five years	512
	47,425

The standard will affect primarily the accounting for the Group's operating leases and the Group is in the process of making an assessment of the potential impacts of the standard but does not expect significant impact on condensed consolidated statement of financial position and condensed consolidated income statement based on the above commitment level as at 31 December 2017.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

5. REVENUE

Revenue from the Group's principal activities recognised during the period is as follows:

	Six months ended 30 June	
	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000 (Restated)
Property management services	**1,771,622**	1,491,483
Value-added services	**135,233**	100,665
Total revenue	**1,906,855**	1,592,148

6. 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 and engineering service quality monitoring.
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 and consulting services (for other property management companies).

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.

6. SEGMENT INFORMATION *(continued)*

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
Six months ended 30 June 2018 (Unaudited)				
Reportable segment revenue				
– from external customers	1,771,622	135,233	–	1,906,855
– inter-segment revenue	584	39,522	(40,106)	–
	1,772,206	174,755	(40,106)	1,906,855
Timing of revenue recognition of reportable segment revenue from external customers				
– at a point of time	–	44,020	–	44,020
– over time	1,771,622	89,909	–	1,861,531
	1,771,622	133,929	–	1,905,551
Revenue from other sources from external customers				
– rental income	–	1,304	–	1,304
	1,771,622	135,233	–	1,906,855
Reportable segment profit	284,635	51,620	–	336,255
	(i)	(ii)		
Corporate expenses, net			(iii)	(23,762)
Profit before tax				312,493

6. SEGMENT INFORMATION *(continued)*

	Property management services HK$'000	Value-added services HK$'000	Elimination HK$'000	Consolidated HK$'000
Six months ended 30 June 2017 (Unaudited) (Restated)				
Reportable segment revenue				
– from external customers	1,491,483	100,665	–	1,592,148
– inter-segment revenue	–	27,902	(27,902)	–
	1,491,483	128,567	(27,902)	1,592,148
Reportable segment profit	185,091	51,501	–	236,592
	(i)	(ii)		
Corporate expenses, net			(iii)	(14,029)
Profit before tax				222,563

(i) Including net impairment provision for HK$17,377,000 (six months ended 30 June 2017: HK$11,049,000 (restated)) of trade receivables and payments on behalf of property owners for properties managed under commission basis.

(ii) Including a gain arising from the changes in fair value of investment properties of HK$3,630,000 (six months ended 30 June 2017: HK$4,216,000).

(iii) Including net exchange gain mainly arising from dividend receivable from a subsidiary of the Group of HK$708,000 (six months ended 30 June 2017: HK$7,698,000).

6. SEGMENT INFORMATION *(continued)*

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

	Property management services HK$'000	Value-added services HK$'000	Unallocated HK$'000	Consolidated HK$'000
As at 30 June 2018 (Unaudited)				
Segment assets	**3,020,293**	**251,281**	**87,964**	**3,359,538**
Segment liabilities	**(2,230,540)**	**(68,996)**	**(14,318)**	**(2,313,854)**

	Property management services HK$'000	Value-added services HK$'000	Unallocated HK$'000	Consolidated HK$'000
As at 31 December 2017 (Audited)				
Segment assets	3,205,412	222,125	130,505	3,558,042
Segment liabilities	(2,325,223)	(82,175)	(289,091)	(2,696,489)

7. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
		(Restated)
Interest income (Note)	**19,634**	16,253
Unconditional government grants	**3,699**	2,275
Others	**693**	264
	24,026	18,792

Note: Interest income was arisen from bank deposits and a three-years unsecured loan of RMB75,026,000 (equivalent to approximately HK$89,317,000) granted to a related company of the Group on 19 October 2017 which subsisted at the end of reporting period, with an interest rate of 4.75% per annum.

8. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest and initial cost on bank borrowings	**3,239**	4,551

9. PROFIT BEFORE TAX

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
		(Restated)
Profit before tax is arrived at after charging:		
Staff costs including directors' emoluments and share-based payment (note)	**1,048,537**	903,337
Sub-contracting costs	**237,040**	188,217
Equipment repair and maintenance costs	**85,925**	63,359
Utility costs	**92,364**	110,585
Impairment provision for trade and other receivables, net	**17,377**	11,049

Note: During the six months ended 30 June 2018, share-based payments to certain directors and senior management amounting to HK$179,000 (2017: HK$323,000) were recognised in profit or loss, with a corresponding credit to equity.

10. INCOME TAX EXPENSES

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
		(Restated)
Income tax expenses comprise:		
Current tax for the period		
Hong Kong profits tax	**1,438**	797
Macau complementary income tax	**–**	10
PRC Enterprise Income Tax	**83,557**	61,943
PRC Withholding Income Tax	**7,851**	5,758
	92,846	68,508
Underprovision in prior years:		
Hong Kong profits tax	**62**	–
	62	–
Deferred tax:		
Current period	**(4,602)**	(4,349)
Total	**88,306**	64,159

10. INCOME TAX EXPENSES *(continued)*

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the period (2017: 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% (2017: 25%).

Macau complementary income tax is calculated at the prevailing tax rate of 12% in Macau (2017: 12%).

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$7,851,000 (2017: HK$5,758,000) for the six months ended 30 June 2018 has been provided for in the financial statements in respect of dividends distributed from a PRC subsidiary to the Company during the period.

11. DIVIDENDS

A dividend of HK$49,303,000 that relates to the year ended 31 December 2017 was paid in June 2018 (2017: HK$36,155,000).

On 22 August 2018, the board of directors has resolved to declare an interim dividend of HK2.0 cents per share (2017: HK1.5 cents), which is payable to shareholders whose names appear on the register of members on 20 September 2018. This interim dividend, amounting to HK$65,737,000 (2017: HK$49,303,000), has not been recognised as a liability in the Interim Financial Statements. It will be recognised in equity in the year ending 31 December 2018.

11. DIVIDENDS *(continued)*

		Dividend paid Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	HK$'000	**HK$'000**	HK$'000
2016:			
Final dividend of HK1.1 cents per ordinary share	36,155		36,155
	36,155		
2017:			
Interim dividend of HK1.5 cents per ordinary share	49,303		
Final dividend of HK1.5 cents per ordinary share	49,303	**49,303**	
	98,606		
2018:			
Interim dividend of HK2.0 cents per ordinary share	65,737		
	65,737	**49,303**	36,155

During the six months ended 30 June 2017, the CITIC Acquired Property Management Group declared dividends of HK$11,339,000 to the then parent company of respective subsidiaries under the CITIC Acquired Property Management Group.

12. 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	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
		(Restated)
Earnings for the purpose of basic earnings per share	**220,823**	159,285

Weighted average number of ordinary shares

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	'000	'000
Adjusted weighted average number of ordinary shares for the purpose of basic earnings per share	**3,286,860**	3,286,860

As there are no dilutive potential ordinary shares as at 30 June 2017 and 30 June 2018, the diluted earnings per share is equal to the basic earnings per share.

13. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the six months ended 30 June 2018, the Group incurred capital expenditure of approximately HK$10,757,000 (six months ended 30 June 2017: HK$3,492,000 (restated)).

14. TRADE AND OTHER RECEIVABLES

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Trade receivables	**616,096**	422,273
Less: Provision of impairment	**(63,292)**	(47,902)
Trade receivables, net	**552,804**	374,371
Other receivables, net	**166,403**	92,882
	719,207	467,253

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

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
0–30 days	**131,852**	96,662
31–90 days	**131,733**	70,674
91–365 days	**182,145**	118,546
Within 1 year	**445,730**	285,882
1–2 years	**77,888**	68,587
Over 2 years	**92,478**	67,804
	616,096	422,273

14. TRADE AND OTHER RECEIVABLES *(continued)*

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. The Group applies the simplified approach to provide for ECL, which requires the use of the lifetime expected loss provision for all trade and other receivables.

15. TRADE AND OTHER PAYABLES

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Trade payables	**453,515**	468,169
Special fund (Note)	**137,389**	171,717
Temporary receipts from properties managed under commission basis	**169,195**	180,681
Temporary receipts from properties managed under lump sum basis	**198,295**	180,437
Accrued staff costs	**395,678**	474,003
Payables for value-added tax and other levies	**33,232**	35,125
Other payables	**84,869**	82,623
	1,472,173	1,592,755

Note:

It mainly represents special maintenance fund held on custody of property owners for future settlement of construction costs for certain properties being managed by the Group.

15. TRADE AND OTHER PAYABLES *(continued)*

The aging analysis of trade payables based on invoice date at the end of the reporting period is as follows:

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
0–30 days	**132,262**	148,891
31–90 days	**77,513**	70,777
Over 90 days	**243,740**	248,501
	453,515	468,169

16. BANK BORROWINGS

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Bank loans – unsecured, non-current liabilities	**–**	265,000

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
The bank borrowings are repayable as follows:		
Between 1 and 2 years	**–**	160,000
Between 2 and 5 years	**–**	105,000
	–	265,000

16. BANK BORROWINGS *(continued)*

The movement of bank borrowings during the period is as follows:

	Six months ended 30 June 2018 (Unaudited) HK$'000
Carrying amount at 1 January 2018	265,000
Repayment of bank borrowings	(265,000)
Carrying amount at 30 June 2018	–

As at 31 December 2017, bank borrowings of the Group, amounting to HK$265.0 million, are denominated in Hong Kong dollars and bear interest at the Hong Kong Interbank Offered Rates plus specified margins. The weighted average effective interest rate of the Group was 2.88% per annum during the six months ended 30 June 2018 (2017: 2.18%).

17. SHARE CAPITAL

Issued and fully paid:

	Number of shares	Share capital HK$'000
As at 1 January 2017 and 31 December 2017 (Audited), 1 January 2018 and 30 June 2018 (Unaudited)	**3,286,860,460**	**3,287**

18. PERFORMANCE GUARANTEES

As at 30 June 2018, the Group provided counter indemnities to a fellow subsidiary and a bank amounting to approximately HK$71,921,000 (as at 31 December 2017: HK$70,555,000) for performance guarantees issued by the fellow subsidiary and the bank in respect of certain property management service contracts undertaken by the Group.

19. 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:

		Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Note	**HK$'000**	HK$'000
Nature of transactions			(Restated)
Intermediate holding company/ Immediate holding company/ Fellow subsidiaries			
Property management and engineering income	(i)	**210,346**	127,635
Rental and utility expenses	(ii)	**21,897**	2,923
Entrusted management income	(iii)	**–**	3,409
Related companies			
Property management and engineering income	(i)	**34,422**	42,350
Key management (including directors)			
Remuneration		**10,760**	12,353

19. RELATED PARTY TRANSACTIONS *(continued)*

Notes:

(i) Property management income and engineering income are charged at rates in accordance with respective contracts.

(ii) Rental and utility expenses are charged in accordance with respective tenancy agreements and property management agreements.

(iii) Entrusted management income is charged at the rate in accordance with the relevant contract.

20. FAIR VALUE MEASUREMENT

(a) Financial instruments

As at 30 June 2018 and 31 December 2017, 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 borrowings.

For disclosure purpose, the fair value of non-current amount due from a related company is not materially different from their carrying values. The fair value have been determined by using discounted cash flow model and are classified as level 3 in the fair value hierarchy. Significant inputs include the discount rates used to reflect the credit risks of the Group.

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

20. FAIR VALUE MEASUREMENT *(continued)*

(b) Non-financial assets

The fair value of the investment properties as at 30 June 2018 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 2018, there were no transfers among level 1, level 2 and level 3.

21. EVENT AFTER THE REPORTING PERIOD

On 11 July 2018, Shenzhen Xinghai Investment Co., Ltd. (深圳市興海投資有限公司), a wholly-owned subsidiary of the Company, as the purchaser (the "Purchaser") entered into sale and purchase agreements (the "Sale and Purchase Agreements") with Qingdao Zhonghai Shengxing Real Estate Co., Ltd. (青島中海盛興房地產有限公司) and Dalian Zhonghai Xiangye Real Estate Development Co., Ltd. (大連中海興業房地產開發有限公司), the subsidiaries of COLI, as the sellers whereas the Purchaser agreed to acquire the right to use the car parking spaces located in residential development projects in Qingdao and in Dalian at a consideration of approximately RMB10.5 million (equivalent to approximately HK$12.4 million) and RMB15.2 million (equivalent to approximately HK$18.0 million), respectively.

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board and the management of the Company are committed to the principles of good corporate governance consistent with prudent management and enhancement of shareholder value. These principles emphasise transparency, accountability and independence.

During the six months ended 30 June 2018, the Company has adopted and complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

REVIEW OF INTERIM REPORT BY AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Company the accounting policies and practices adopted by the Group and discussed, among other things, internal control, risk management and financial reporting matters including a review of the unaudited interim report of the Group for the six months ended 30 June 2018.

CHANGES OF DIRECTORS' INFORMATION

Pursuant to rule 13.51B(1) of the Listing Rules, the changes to information required to be disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) between the date of the Company's annual report 2017 and up to the date of this interim report are set out below:

Directors' information	Cessation (effective date)
Kam Yuk Fai	
• As a trustee of Hong Kong Open Printshop Limited, a non-profit charitable organisation in Hong Kong	22 June 2018
Lim Wan Fung, Bernard Vincent	
• Member of the Hong Kong Housing Authority	31 March 2018
• Chairman of the Building Committee of the Hong Kong Housing Authority	31 March 2018
• Member of the Strategic Planning Committee of the Hong Kong Housing Authority	31 March 2018

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code (the "Model Code") as contained in Appendix 10 to Listing Rules as the code for dealing in securities of the Company by the Directors. After specific enquiry, all Directors confirmed that they have complied with the required standard regarding securities transactions set out therein throughout the six months ended 30 June 2018. No incident of non-compliance was noted by the Company to date in 2018. Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE COMPANY'S SECURITIES

As at 30 June 2018, the interests of the Directors and chief executive of the Company in the shares, underlying shares, and debentures of the Company or any of its associated corporations (within the meaning of part VX of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise subsequently notified to the Company pursuant to the Model Code were as follows:

Long Position in Shares and Underlying shares of the Company's Associated Corporations

Name of Director	Name of associated corporation	Nature of interest	Number of ordinary shares	Approximate percentage of issued share capital (%)
Yan Jianguo	China Overseas Land & Investments Limited ("COLI")	Beneficial owner	700,000 shares[1]	0.01%[2]
Luo Xiao[6]	China State Construction Engineering Corporation Limited ("CSCECL")	Beneficial owner	210,000 A Shares[3]	0.01%[4]
Shi Yong[6]	CSCECL	Beneficial owner	210,000 A Shares[3]	0.01%[4]
Shi Yong[6]	Far East Global Group Limited ("Far East Global")	Beneficial owner	1,000,000 shares	0.05%[5]
Pang Jinying[7]	CSCECL	Beneficial owner	210,000 A Shares	0.01%[4]
Pang Jinying[7]	Far East Global	Beneficial owner	300,000 Shares	0.01%[5]

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

Long Position in Shares and Underlying shares of the Company's Associated Corporations *(continued)*

Notes:

1. The share options were granted on 29 June 2018 under the share option scheme adopted by COLI on 11 June 2018. These share options will remain in force for a period of 6 years since the date of grant.

2. The percentage represents the number of shares interested divided by the number of issued shares of COLI up to the date of this interim report (i.e. 10,956,201,535 shares).

3. The A shares (ordinary shares) include (i) restricted shares granted under the A-shares Restricted Stock Incentive Plan (Phase II) of CSCECL subject to a lock-up period of 2 years from the date of grant (i.e. 29 December 2016) ("Lock-up Period"). During the Lock-up Period, these shares are not transferrable, nor subject to any guarantee, indemnity or pledge. After the Lock-up Period, these shares, upon the fulfillment of certain conditions, can be transferrable in equal tranche in three years; and (ii) a distribution in specie of new A shares issued by CSCECL on a pro-rata basis to all its eligible shareholders on the basis of 0.4 new A share for every 1 existing A share held by shareholders. New A shares commenced trading on 2 July 2018.

4. The percentage represents the number of shares interested divided by the number of issued shares of CSCECL up to the date of this interim report (i.e. 41,985,174,455 shares).

5. The percentage represents the number of shares interested divided by the number of issued shares of Far East Global up to the date of this interim report (i.e. 2,155,545,000 shares).

6. Due to the realignment of work duties within the group, two Directors resigned from the Company effective from 22 August 2018.

7. Mr. Pang Jinying was appointed as Director of the Company on 22 August 2018 with his personal interests in 300,000 shares of Far East Global and 210,000 A shares in CSCECL (both are associated corporations of the Company within the meaning of SFO).

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

Long Position in Shares and Underlying shares of the Company's Associated Corporations *(continued)*

Save as disclosed above, none of the Directors or chief executive of the Company or their respective associates had held or deemed or taken to have held any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations as defined in the SFO for the six months ended 30 June 2018.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE COMPANY'S SECURITIES

As at 30 June 2018, the following companies or persons, other than the Directors or chief executive of the Company, had long positions of 5% or more in the Shares and underlying Shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity	Number of ordinary shares	Approximate percentage of issued share capital (%)
Silver Lot Development[1] Limited ("Silver Lot")	Beneficial owner	169,712,309	5.16[3]
China Overseas Holdings Limited ("COHL")[1]	Beneficial owner	1,841,328,751	56.02[3]
COHL	Interest of controlled corporation	169,712,309	5.16[3]
CSCECL[2]	Interest of controlled corporation	2,011,041,060	61.18[3]
China State Construction Engineering Corporation ("CSCEC")[2]	Interest of controlled corporation	2,011,041,060	61.18[3]

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE COMPANY'S 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.

3. The percentage represents the number of Shares interested divided by the number of issued Shares of the Company as at 30 June 2018 (i.e. 3,286,860,460 Shares).

4. All shares stated above represent shares in long position.

Save as disclosed above, as at 30 June 2018, the Company had not been notified by any other company or person (other than Directors or chief executive of the Company) who had an interest or a short position 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.

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

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INFORMATION FOR SHAREHOLDERS

INTERIM DIVIDEND

Taking into account the result performance of the Group for the interim period and its future business expansion, the Board declared the payment of an interim dividend of HK2.0 cents per share (2017: HK1.5 cents per share) for the period ended 30 June 2018 that will be payable on Friday, 5 October 2018 to the members of the Company whose names appear on the register of members of the Company as at Thursday, 20 September 2018.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Eligible Shareholders' entitlement to the interim dividend, the Register of Members will be closed as appropriate as set out below:

Ex-dividend date	Monday, 17 September 2018
Latest time to lodge transfer documents for registration with the Company's Hong Kong branch share registrar and transfer office	At 4:30 p.m. on Tuesday, 18 September 2018
Closure of register of members	Wednesday, 19 September 2018 to Thursday, 20 September 2018 (both days inclusive)
Record date	Thursday, 20 September 2018

For purpose mentioned above, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the aforementioned latest time.

SHARE CAPITAL

The Company's total issued share capital as at 30 June 2018 was 3,286,860,460 ordinary shares (the "Shares").

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海納川
厚德載物
物業
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業精細
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中海物業集團有限公司
CHINA OVERSEAS PROPERTY HOLDINGS LIMITED

香港皇后大道東1號太古廣場3座7樓703室

Suite 703, 7/F, Three Pacific Place,
1 Queen's Road East, Hong Kong

電話 Tel : 2988 0600
傳真 Fax : 2988 0606
網頁 Website : www.copl.com.hk

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