



中國海外宏洋集團有限公司

CHINA OVERSEAS GRAND OCEANS GROUP LTD.

Stock Code 股份代號: 00081



Robust Prosperity on Solid Foundation

根基穩健 茁實成長

Interim Report 2013 中期報告

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## Board of Directors, Honourable Chairman and Committees

### Honourable Chairman

Kong Qingping<sup>#</sup>

### Chairman and Non-Executive Director

Hao Jian Min

### Executive Directors

Chen Bin *Chief Executive Officer*

Xiang Hong

Wang Man Kwan, Paul

Yang Hai Song

### Non-Executive Director

Yung Kwok Kee, Billy *Vice Chairman*

### Independent Non-Executive Directors

Chung Shui Ming, Timpson

Lam Kin Fung, Jeffrey

Lo Yiu Ching, Dantes

### Authorized Representatives

Hao Jian Min

Chen Bin

Xiang Hong *(Alternate Authorized Representative to Hao Jian Min)*

Wang Man Kwan, Paul *(Alternate Authorized Representative to Chen Bin)*

### Audit Committee

Chung Shui Ming, Timpson\*

Lam Kin Fung, Jeffrey

Lo Yiu Ching, Dantes

### Remuneration Committee

Lam Kin Fung, Jeffrey\*

Hao Jian Min

Yung Kwok Kee, Billy

Chung Shui Ming, Timpson

Lo Yiu Ching, Dantes

### Nomination Committee

Hao Jian Min\*

Chung Shui Ming, Timpson

Lam Kin Fung, Jeffrey

Lo Yiu Ching, Dantes

<sup>#</sup> *not a director of the Company*

<sup>\*</sup> *Committee Chairman*



## Corporate and Shareholders' Information

### Corporate Information

#### Registered Office

Unit 6703, Level 67,  
International Commerce Centre,  
1 Austin Road West, Kowloon, Hong Kong  
Telephone : (852) 2988 0600  
Facsimile : (852) 2988 0606  
Website : www.cogogl.com.hk

#### Company Secretary

Chong Wai Sang, Edmond

#### Registrar

Tricor Standard Limited  
26/F., Tesbury Centre  
28 Queen's Road East, Hong Kong  
Telephone : (852) 2980 1333  
Facsimile : (852) 2810 8185  
E-mail : is-enquiries@hk.tricorglobal.com

#### Legal Advisor

Mayer • Brown JSM

#### Auditor

BDO Limited  
Certified Public Accountants

#### Principal Bankers

*(In Alphabetical Order)*  
Agriculture Bank of China Ltd.,  
Hong Kong Branch  
Bank of China Limited  
Bank of China (Hong Kong) Limited  
Bank of Communications Co., Ltd.,  
Hong Kong Branch  
Bank of Shanghai Co. Ltd.  
China Construction Bank Corporation  
China Merchants Bank Co., Ltd.  
DBS Bank Ltd., Hong Kong Branch  
Hang Seng Bank Limited  
The Hongkong and Shanghai Banking  
Corporation Limited  
Industrial and Commercial Bank of  
China Limited  
Wing Lung Bank Limited

### Stock Code

#### Shares

Stock Exchange : 00081  
Bloomberg : 81:HK  
Reuters : 0081.HK

### Shareholders' Information

#### Share Listing

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

#### Ordinary Shares (as at 30 June 2013)

Shares outstanding 2,282,239,894 shares  
Nominal value HK\$0.01 per share

### Investor Relations

For any enquiries, please contact:  
Corporate Communications Department  
Telephone : (852) 2823 7888  
Facsimile : (852) 2529 9211  
E-mail : cogo.ir@cohl.com

### Public Relations

For any enquiries, please contact:  
Corporate Communications Department  
Telephone : (852) 2823 7888  
Facsimile : (852) 2529 9211  
E-mail : cogo.pr@cohl.com



## 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 2013. The Group's unaudited consolidated profit attributable to the owners of the Company for the first half year of 2013 was HK\$1,563.7 million, an increase of 20.2% comparing with the same period last year.

Further to the inclusion as a constituent under the Morgan Stanley Capital International ("MSCI") China Small Cap Index last year, again, the Group was included as a constituent of the China Index under the MSCI Global Standard Indices in May this year. In addition, the Group is also a constituent of Hang Seng Global Composite Index and Hang Seng Composite Index (which includes Hang Seng Composite Industry Index — Properties & Construction and Hang Seng Composite SmallCap Index). Inclusions in these well known benchmark indices clearly demonstrate the recognition of the operation scale, profitability and governance of the Company by both of the international and local investors.

In the last six months, the Group extended its business to Yancheng, Jiangsu, and successfully acquired three parcels of land in Hohhot City, Yancheng City and Changzhou City with total development area of approximately 1,459,000 sq.m.. As of 30 June 2013, total land bank of the Group in the PRC reached 9,636,700 sq.m..

### RESULTS

For the first half year ended 30 June 2013, contracted property sales of the Group increased by HK\$438.9 million or 5.5% to HK\$8,448.1 million against the corresponding period last year, representing a saleable gross floor area of 774,991 sq.m. (2012: 514,036 sq.m.). Also, as at 30 June 2013, the balance of preliminary sales pending the completion of sales and purchase agreements was HK\$1,358.0 million for an aggregated area of 111,900 sq.m..

Meanwhile, the Group increased its turnover by HK\$2,871.3 million or 55.9% to HK\$8,008.8 million with profit attributable to the owners of the Company enhanced by HK\$263.1 million or 20.2% to HK\$1,563.7 million. Basic earnings per share was HK68.5 cents (2012: HK57.0 cents).





## Chairman's Statement *(continued)*

### PROSPECTS

#### **The Economy**

In June 2013, Mr. Ben Bernanke, Chairman of the US Federal Reserve announced the possible timeline of gradual tapering of the bond purchase commitment as early as in the third quarter of the year, if the US economy continues to pick up, symbolizing the end of the its QE programs commencing since the financial turmoil in 2008. This may possibly imply the gradual interest rate hike after enjoying almost 5 years of low interest environment.

In China, the Central Government re-affirmed its policy stance for tuning the economic restructure in order to lay down a better foundation for long term economic growth and stability. While this would adjust the over-reliance on certain economic growth factors, namely, investment and export previously, China is likely to shift to a more conservative and sustainable growth path with increasing productivity and domestic consumption in the long term. With agricultural modernization and progression to high value-added service industry, more rural population would migrate to near-by urban area under the town urbanization program. Economic reforms would also cultivate better competition, thus lower cost and stimulate employment. Those medium size cities with growth potential would ultimately play an important role in the GDP contribution and general household income would gain much from the sharing of better economic outcome.

#### **Real Estate Development**

With the upward swing of property price in most of the major cities since the last year end, State Council re-affirmed the macroscopic property price control policy in China in March 2013. And further to the implementation of municipal government measures, there was a slowdown in the pace of property price increase. It would be expected that it is unlikely to have further tightening control policy to be launched.

Urbanization and systematic town planning would certainly provide better opportunities for the improvement and upkeep of the living standard and dwelling environment. The core demands for property housing would lead to a more stabilized development of the property market.





## Chairman's Statement *(continued)*

### PROSPECTS *(continued)*

#### Group Strategy

It is the Group's firm vision and commitment to become a high-growth star property developer of the highest potential in the PRC residential property market and engages primarily in the emerging third-tier cities with best investment value and growth potentials, and targeting at the middle to high-end product ranges.

The Group is dedicated to enlarge the operating scale and speed up the pace of development, in order to increase the marginal cost efficiency. It is therefore of paramount importance that the Group would be able to build up and maintain a sizable quantum of quality land bank at competitive prices, for which the Group has actively rolled out its investment plans.

The Group has now entered into 13 cities with over 18 on-going development projects. While the Group would establish standardized management procedures, in the meantime, it would also strengthen the system development and speed up the project progress with the enhancement of the complete management capabilities.

The Group would also closely monitor the impacts from the external economic environment and national policy changes to the business operations.

### APPRECIATION

Finally, I would like to take this opportunity to thank my fellow directors, our staff and our shareholders for their continued supports.

By order of the Board

**China Overseas Grand Oceans Group Limited**

**Hao Jian Min**

*Chairman and Non-executive Director*

Hong Kong, 29 July 2013





## Management Discussion and Analysis

### REVENUE AND OPERATING RESULTS

As the Group rolled out its business plan to enter into more third-tier cities, revenue increased by 55.9% to HK\$8,008.8 million for the six months ended 30 June 2013. Operating profit increased by HK\$55.9 million or 2.2% against last period and reached HK\$2,583.1 million.

In respect of the overhead costs, administrative expenses increased in line with current period's turnover by 59.8% to HK\$217.0 million while the marketing cost efficiency was improved with distribution and selling expenses increased modestly by 30.4% to HK\$151.4 million. Besides, reflecting the continual increase in rental value righteously, there was a fair value gain of HK\$296.8 million (2012: HK\$187.4 million) of the investment properties.

Finance costs lowered to HK\$5.7 million from HK\$7.8 million of last period, after capitalization of HK\$256.3 million to the on-going development projects.

For the half year ended 30 June 2013, after taking out the non-controlling interests, profit attributable to equity shareholders of the Company increased by 20.2% to HK\$1,563.7 million against last corresponding period (2012: HK\$1,300.6 million).

### LAND BANK

Targeting at emerging third-tier cities in the PRC with best investment value and growth potential, the Group expanded into Yancheng, Jiangsu, the PRC during the period. The Group successfully bid for three land parcels in Hohhot, Yancheng and Changzhou. In aggregate, new additions in land bank amounted to nearly 1,459,000 sq.m. for total consideration of approximately HK\$2,964.0 million.

As at 30 June 2013, total land bank of the Group is estimated available to build gross floor area of approximately 9,636,700 sq.m. (of which, 8,383,900 sq.m. are attributable to the Group, excluding non-controlling shareholders) in thirteen cities in the PRC.





## Management Discussion and Analysis *(continued)*

### SEGMENT INFORMATION

#### Property Sales and Development

The operation strategy for entering into the medium to high-end market in the third-tier cities continues to achieve results, with stable improvement in the current period.

During the six months ended 30 June 2013, contracted property sales amounted to approximately HK\$8,448.1 million for an aggregated area of 774,991 sq.m. sold, representing an increase of 5.5% and 50.8% respectively against the same period last year. In the segmental sales analysis, there is a gradual dominance of sales mix from the third-tier cities. In addition, the balance of preliminary sales pending the completion of sales and purchase agreements as at 30 June 2013 was HK\$1,358.0 million for an aggregated area of 111,900 sq.m..

Contracted property sales from major projects during the half year ended 30 June 2013:

City	Name of project	Saleable Gross	
		Floor Area (sq.m.)	Amount (HK\$ Million)
Lanzhou	The Arch	109,600	1,117.5
Ganzhou	International Community	115,519	1,066.1
Hefei	The Great Hill	111,233	994.1
	Maison du Lac	27,743	437.4
Yinchuan	International Community	106,415	798.1
Beijing	Lagoon Manor	20,323	716.5
Hohhot	The Bund	72,451	691.0
	Dragon Cove	34,452	412.6
Yangzhou	Jade Garden	24,853	315.9
Guilin	The Chief Palace	32,421	309.7

As at 30 June 2013, 940,700 sq.m. of construction sites were completed (2012: 348,500 sq.m.) with about 84% of these sold out. Coupled with stock sales, recognized revenue increased to HK\$7,909.9 million (2012: HK\$5,047.5 million) while segment result decreased slightly to HK\$2,287.9 million (2012: HK\$2,327.3 million). However, on the basis of residence units sold (i.e. stripped out the one-off effect of the disposal of a commercial arcade in The Oakwook, Guangzhou in last period), the year-on-year half year segment result remains increased by HK\$1,111.5 million or 94.5%.



# Management Discussion and Analysis *(continued)*

## SEGMENT INFORMATION *(continued)*

### Property Sales and Development *(continued)*

Recognized revenue from major projects during the half year ended 30 June 2013:

City	Name of project	Saleable Gross	
		Floor Area (sq.m.)	Amount (HK\$ Million)
Beijing	Lagoon Manor	53,153	1,794.8
Lanzhou	The Arch	89,207	882.4
Hefei	The Great Hill	102,325	874.3
	Maison du Lac	39,138	618.2
Hohhot	The Arch	93,218	815.7
	Royal East	78,890	704.9
	Dragon Cove	19,998	485.1
Yinchuan	International Community	71,688	576.0
Jilin	Royal East/Royal Waterfront	42,538	443.7
Guilin	The Chief Palace	27,302	263.6

In addition to the above, International Community of Jilin, International Community #B9 at Ganzhou, Jade Garden at Yangzhou and, Dragon Bay at Changzhou had commenced the construction work during the period.

At period end date, properties under construction and stock of completed properties amounted to 2,719,380 sq.m. and 418,000 sq.m. respectively, totaling 3,137,380 sq.m.. Properties of 783,728 sq.m. had been contracted for sales and were pending for completion of the transactions upon handover.

### Property Leasing

For the period ended 30 June 2013, with continuous improvement in the level of rent and thus a higher average rental rate, rental income increased to HK\$62.2 million (2012: HK\$57.3 million) with a segment profit of HK\$346.3 million (2012: HK\$225.0 million). The improvement includes a fair value gain of HK\$296.8 million (2012: HK\$187.4 million) in respect of the investment properties and contribution from the joint venture of HK\$2.0 million (2012: HK\$1.8 million).



## Management Discussion and Analysis *(continued)*

### SEGMENT INFORMATION *(continued)*

#### Property Leasing *(continued)*

At period end, China Overseas International Center in Xicheng District, Beijing was 90% let while the occupancy rate for the scientific research office building in Zhang Jiang High-tech Zone in Shanghai was about 84%. The Group owns 100% and 65% of these projects respectively.

### FINANCIAL RESOURCES AND LIQUIDITY

As a Hong Kong incorporated and listed entity, the Company and its subsidiaries have multiple accesses to funds from both investors and financial institutions in the PRC and international market to meet its working capital requirements. As at 30 June 2013, net working capital amounted to HK\$17,197.5 million, (31 December 2012: HK\$12,471.2 million) with a quick ratio of 0.9 (31 December 2012: 0.7).

During the six months ended 30 June 2013, the Group obtained new credit facilities of approximately HK\$6,067.9 million from leading financial institutions. After taking into account drawdowns of HK\$4,484.3 million and repayment of matured loans of HK\$1,397.4 million during the period, total borrowings (exclude the liability portion of HK\$1,675.4 million of the convertible bonds) increased by 57.1% to HK\$8,650.1 million against last year end. Interest of such borrowings was charged at floating rates with a weighted average of 4.7% per annum. About 75.5% of such borrowings is repayable beyond one year.

On the other hand, coupled with sales achieved during the period, cash and cash equivalents plus restricted cash and deposits were 17.1% higher at a total of HK\$9,135.2 million compared with the last financial year end (HK\$7,803.2 million).

The net gearing ratio, expressed as a percentage of net debts (i.e. total borrowings, including the liability portion of the convertible bonds, net of cash and cash equivalents and restricted cash and deposits) to equity attributable to owners of the Company, was 12.4% as at 30 June 2013 (31 December 2012: net cash).

Taking into consideration of the unutilized bank credit facilities available to the Group of HK\$2,592.6 million, the Group's total available funds (including restricted cash and deposits of HK\$2,173.0 million) reached HK\$11,727.8 million as at 30 June 2013. The Group would regularly re-evaluate its operational and investment status and endeavour to improve its cash flow and minimize its financial risks.





## Management Discussion and Analysis *(continued)*

### FOREIGN EXCHANGE EXPOSURE

As at 30 June 2013, about 37.0% and 63.0% of the Group's total borrowings (including the liability component of the convertible bonds) were denominated in Renminbi and Hong Kong Dollar/US Dollar respectively. As the Group conducted its sales, receivables and payables, expenditures and part of the borrowings in Renminbi for its PRC property development business, the management considered that a natural hedge mechanism existed. While the Group would closely monitor the volatility of the Renminbi exchange rate, the management assessed that the Group's risk exposure to foreign exchange rate fluctuations remained at acceptable range.

### CAPITAL COMMITMENTS AND GUARANTEE

As at 30 June 2013, the Group had capital commitments totaling HK\$8,870.9 million which related mainly to property development and construction works. In addition, the Group issued guarantees to banks amounting to HK\$6,935.2 million, (equivalent to RMB5,524.8 million) mainly for facilitating end-user mortgages in connection with its PRC property sales as a usual commercial practice.

### CAPITAL EXPENDITURE AND CHARGES ON ASSETS

The Group had capital expenditures totaling HK\$6.2 million approximately during this period, mainly referred to additions in motor vehicles, furniture, fixtures and office equipment.

On the other hand, as at 30 June 2013, certain property assets and trade receivables with an aggregate carrying value of HK\$4,646.9 million in the PRC were pledged to obtain HK\$881.4 million (equivalent to RMB702.1 million) of secured borrowings from certain PRC banks for the development projects.

### EMPLOYEES

As at 30 June 2013, the Group has approximately 807 employees (31 December 2012: 677). The pay levels of these employees are commensurate 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 2013 and the comparative figures for the corresponding period in 2012 are as follows:

	Notes	Six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
<b>Revenue</b>	4	<b>8,008,793</b>	5,137,466
Cost of sales and services provided		<b>(5,386,116)</b>	(2,564,863)
Gross profit		<b>2,622,677</b>	2,572,603
Other income	6	<b>32,583</b>	18,026
Distribution and selling expenses		<b>(151,399)</b>	(116,139)
Administrative expenses		<b>(217,020)</b>	(135,803)
Other operating expenses		<b>(545)</b>	(246)
Other gains, net			
Fair value gain on investment properties		<b>296,751</b>	187,359
Reversal of impairment on assets, net		–	1,413
Gain on disposal of an investment property		<b>28</b>	–
<b>Operating profit</b>		<b>2,583,075</b>	2,527,213
Finance costs	7	<b>(5,656)</b>	(7,829)
Share of results of a joint venture		<b>2,008</b>	1,784
<b>Profit before income tax</b>	8	<b>2,579,427</b>	2,521,168
Income tax expense	9	<b>(864,905)</b>	(1,177,202)
<b>Profit for the period</b>		<b>1,714,522</b>	1,343,966
<b>Profit for the period attributable to:</b>			
Owners of the Company		<b>1,563,727</b>	1,300,619
Non-controlling interests		<b>150,795</b>	43,347
		<b>1,714,522</b>	1,343,966
		<b>HK Cents</b>	HK Cents
<b>Earnings per share</b>	11		
Basic		<b>68.5</b>	57.0
Diluted		<b>61.4</b>	53.5

## Condensed Consolidated Statement of Comprehensive Income

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Profit for the period</b>	<b>1,714,522</b>	1,343,966
<b>Other comprehensive income</b>		
<i>Items that will be reclassified subsequently to profit or loss:</i>		
Exchange difference arising on translation		
— subsidiaries	<b>251,679</b>	(41,561)
— a joint venture	<b>1,430</b>	(409)
	<b>253,109</b>	(41,970)
Reclassification from assets revaluation reserve to profit or loss upon sales of inventories of properties	–	(4,360)
Tax effect	–	1,553
	–	(2,807)
<b>Other comprehensive income for the period, net of tax</b>	<b>253,109</b>	(44,777)
<b>Total comprehensive income for the period</b>	<b>1,967,631</b>	1,299,189
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	<b>1,803,983</b>	1,257,960
Non-controlling interests	<b>163,648</b>	41,229
	<b>1,967,631</b>	1,299,189

## Condensed Consolidated Statement of Financial Position

		<b>30 June</b>	31 December
		<b>2013</b>	2012
		<b>(Unaudited)</b>	(Audited)
	Notes	<b>HK\$'000</b>	HK\$'000
<b>Non-current assets</b>			
Investment properties		<b>2,583,225</b>	2,248,932
Property, plant and equipment	12	<b>47,915</b>	47,177
Prepaid lease rental on land		<b>5,418</b>	5,479
Other intangible assets		<b>30,419</b>	32,277
Interests in a joint venture		<b>82,677</b>	79,238
Deferred tax assets		<b>159,928</b>	271,314
		<b>2,909,582</b>	2,684,417
<b>Current assets</b>			
Inventories of properties		<b>19,230,369</b>	17,522,426
Other inventories		<b>984</b>	963
Trade and other receivables, prepayments and deposits	13	<b>3,658,434</b>	2,792,833
Prepaid lease rental on land		<b>177</b>	174
Amounts due from a joint venture		<b>–</b>	45,632
Amounts due from non-controlling interests		<b>58,599</b>	20,538
Tax prepaid		<b>29,580</b>	74,343
Restricted cash and deposits		<b>2,173,032</b>	1,821,131
Cash and cash equivalents		<b>6,962,206</b>	5,982,086
		<b>32,113,381</b>	28,260,126



## Condensed Consolidated Statement of Financial Position *(continued)*

	Notes	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
<b>Current liabilities</b>			
Trade and other payables	14	4,501,091	4,034,650
Sales deposits received		5,785,526	7,060,789
Amounts due to non-controlling interests		788,450	799,119
Taxation liabilities		1,721,987	1,841,868
Borrowings	15	2,118,860	2,052,536
		<b>14,915,914</b>	15,788,962
<b>Net current assets</b>		<b>17,197,467</b>	12,471,164
<b>Total assets less current liabilities</b>		<b>20,107,049</b>	15,155,581
<b>Non-current liabilities</b>			
Borrowings	15	6,531,279	3,454,443
Convertible bonds	16	1,675,434	1,650,543
Deferred tax liabilities		1,423,008	1,441,497
		<b>9,629,721</b>	6,546,483
<b>Net assets</b>		<b>10,477,328</b>	8,609,098
<b>Capital and reserves</b>			
Share capital	17	22,822	22,822
Reserves		9,610,452	7,943,403
Equity attributable to owners of the Company		<b>9,633,274</b>	7,966,225
Non-controlling interests		844,054	642,873
<b>Total equity</b>		<b>10,477,328</b>	8,609,098



# Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company												
	Share capital	Share premium	Capital redemption reserve	Convertible bonds equity		Assets revaluation reserve		Statutory reserve	Other reserve	Retained profits	Total	Non-controlling interests	Total equity
				reserve	reserve	reserve	reserve						
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2012	15,215	1,914,012	44,822	-	356,412	59,669	306,970	154,345	2,294,562	5,146,007	286,023	5,432,030	
Net profit for the period	-	-	-	-	-	-	-	-	1,300,619	1,300,619	43,347	1,343,966	
Other comprehensive income	-	-	-	-	(39,852)	(2,807)	-	-	-	(42,659)	(2,118)	(44,777)	
Total comprehensive income for the period	-	-	-	-	(39,852)	(2,807)	-	-	1,300,619	1,257,960	41,229	1,299,189	
2011 final dividend paid (note 10)	-	-	-	-	-	-	-	-	(76,075)	(76,075)	-	(76,075)	
Issue of convertible bonds (note 16)	-	-	-	581,196	-	-	-	-	-	581,196	-	581,196	
Bonus Share Issue 2012 (note 17)	7,607	(7,607)	-	-	-	-	-	-	-	-	-	-	
Share issue expenses (note 17)	-	(32)	-	-	-	-	-	-	-	(32)	-	(32)	
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	130,939	130,939	
Transactions with owners	7,607	(7,639)	-	581,196	-	-	-	-	(76,075)	505,089	130,939	636,028	
At 30 June 2012 (Unaudited)	22,822	1,906,373	44,822	581,196	316,560	56,862	306,970	154,345	3,519,106	6,909,056	458,191	7,367,247	
<b>At 1 January 2013</b>	<b>22,822</b>	<b>1,906,373</b>	<b>44,822</b>	<b>581,196</b>	<b>410,711</b>	<b>33,893</b>	<b>347,513</b>	<b>154,345</b>	<b>4,464,550</b>	<b>7,966,225</b>	<b>642,873</b>	<b>8,609,098</b>	
Net profit for the period	-	-	-	-	-	-	-	-	1,563,727	1,563,727	150,795	1,714,522	
Other comprehensive income	-	-	-	-	240,256	-	-	-	-	240,256	12,853	253,109	
Total comprehensive income for the period	-	-	-	-	240,256	-	-	-	1,563,727	1,803,983	163,648	1,967,631	
Release upon sales of a property	-	-	-	-	-	(2,131)	-	-	2,131	-	-	-	
2012 final dividend approved (note 10)	-	-	-	-	-	-	-	-	(136,934)	(136,934)	-	(136,934)	
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	37,533	37,533	
Transactions with owners	-	-	-	-	-	-	-	-	(136,934)	(136,934)	37,533	(99,401)	
At 30 June 2013 (Unaudited)	22,822	1,906,373	44,822	581,196	650,967	31,762	347,513	154,345	5,893,474	9,633,274	844,054	10,477,328	

## Condensed Consolidated Statement of Cash Flows

	Notes	Six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
<b>Net cash (used in)/generated from operating activities</b>		<b>(1,724,229)</b>	1,979,412
<b>Investing activities</b>			
Interest received		30,272	15,277
Settlement of consideration payable on acquisition of a subsidiary		–	(78,327)
Purchase of property, plant and equipment	12	(6,205)	(4,735)
Proceeds on disposal of an investment property		5,017	–
Increase in restricted cash and deposits		(316,794)	(1,418,829)
<b>Net cash used in investing activities</b>		<b>(287,710)</b>	(1,486,614)
<b>Financing activities</b>			
(Decrease)/Increase in amounts due to non-controlling interests		(24,719)	142,711
New bank borrowings		4,484,252	695,248
Repayment of bank borrowings and other loan		(1,397,366)	(665,995)
Dividends paid		–	(76,075)
Proceeds from issue of convertible bonds		–	2,139,614
Interest paid		(233,872)	(112,506)
Share issue expenses	17	–	(32)
Capital injection from non-controlling interests		37,533	130,939
<b>Net cash generated from financing activities</b>		<b>2,865,828</b>	2,253,904
<b>Net increase in cash and cash equivalents</b>		<b>853,889</b>	2,746,702
<b>Cash and cash equivalents at beginning of period</b>		<b>5,982,086</b>	2,021,223
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>126,231</b>	(8,014)
<b>Cash and cash equivalents at end of period</b>		<b>6,962,206</b>	4,759,911



# Notes to the Condensed Financial Statements

## 1. GENERAL INFORMATION

China Overseas Grand Oceans Group Limited (the “Company”) is a limited liability company incorporated in the Hong Kong Special Administrative Region (“Hong Kong”), the People’s Republic of China (the “PRC”) and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the Company’s registered office and principal place of business is Unit 6703, Level 67, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively, the “Group”) mainly comprise property investment and development, property leasing and investment holding. The Group’s business activities are principally carried out in certain regions in the PRC such as Lanzhou, Ganzhou, Hefei, Yinchuan, Beijing, Hohhot-Inner Mongolia, Yangzhou and Guilin.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2013 (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 2012.

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 29 July 2013.

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Save as described in note 3 “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 2012, as described in those annual financial statements.

## Notes to the Condensed Financial Statements *(continued)*

### 3. ADOPTION OF NEW AND REVISED HKFRSs

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1, Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income
- HKAS 27 (2011), Separate Financial Statements
- HKAS 28 (2011), Investments in Associates and Joint Ventures
- HKFRS 10, Consolidated Financial Statements
- HKFRS 11, Joint Arrangements
- HKFRS 12, Disclosure of Interests in Other Entities
- HKFRS 13, Fair Value Measurement
- Revised HKAS 19, Employee Benefits
- Amendments to HKFRS 10, HKFRS 11 and HKFRS 12, Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
- Annual Improvements to HKFRSs 2009–2011 Cycle
- Amendments to HKFRS 7, Disclosures — Offsetting Financial Assets and Financial Liabilities



## Notes to the Condensed Financial Statements *(continued)*

### 3. ADOPTION OF NEW AND REVISED HKFRSs *(continued)*

#### **Amendments to HKAS 1, Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income**

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

#### **HKFRS 10, Consolidated Financial Statements**

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and Separate Financial Statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation — Special Purpose Entities*, it introduces a single control model to determine whether an investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013. Accordingly, this new accounting policy does not have any material impact on the financial position and the financial result of the Group.

#### **HKFRS 11, Joint Arrangements**

HKFRS 11, which replaces HKAS 31, *Interests in Joint Ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognized on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.





## Notes to the Condensed Financial Statements *(continued)*

### 3. ADOPTION OF NEW AND REVISED HKFRSs *(continued)*

#### **HKFRS 11, Joint Arrangements** *(continued)*

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the investment from jointly controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

#### **HKFRS 12, Disclosure of Interests in Other Entities**

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in the interim financial report as a result of adopting HKFRS 12.

#### **HKFRS 13, Fair Value Measurement**

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The Group has included the disclosures in note 22. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

#### **Revised HKAS 19, Employee Benefits**

Revised HKAS 19 introduces a number of amendments to the accounting for defined benefit plans. As the Group does not have such defined benefit plans, the adoption of HKFRS 19 does not have any material impact on the financial position and the financial result of the Group.





## Notes to the Condensed Financial Statements *(continued)*

### 3. ADOPTION OF NEW AND REVISED HKFRSs *(continued)*

#### **Annual Improvements to HKFRSs 2009–2011 Cycle**

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker (CODM) and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. In respect of this amendment, the Group now excludes the disclosure of segment assets in the interim report on the basis that the amounts of reportable segments assets are not materially different from the amounts reported in the last annual financial statements.

#### **Amendments to HKFRS 7 — Disclosures — Offsetting Financial Assets and Financial Liabilities**

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognized financial instruments that are set off in accordance with HKAS 32, *Financial Instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32. The adoption of the amendments does not have an impact on the Group's interim financial report because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7.

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



## Notes to the Condensed Financial Statements (continued)

**4. REVENUE**

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

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Sales of properties	<b>7,909,908</b>	5,047,489
Property rental income	<b>62,181</b>	57,336
Property management fee income	<b>36,704</b>	32,641
<b>Total revenue</b>	<b>8,008,793</b>	5,137,466

**5. SEGMENT INFORMATION**

The operating segments are reported in a manner consistent with the way in which information is reported internally to the Group's most senior management for the purposes of resource allocation and assessment of segment performance. The Group has identified the following reportable segments for its operating segments:

Property investment and development	—	This segment constructs residential and commercial properties in the PRC.
Property leasing	—	This segment leases commercial units located in the PRC to generate rental income and gain from appreciation in the properties' values in the long term. Part of the business is carried out through a joint venture.
Other segment	—	This segment provides management services to certain housing estate in the PRC and generates property management fee income.



## Notes to the Condensed Financial Statements *(continued)*

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

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. Segment revenue represents sales from external customer and there were no inter-segment sales between different operating segments. Segment profit/loss includes the Group's share of profit/loss arising from the activities of the Group's joint venture. Reportable segment profit/loss excludes corporate income and expenses from the Group's profit/loss before income tax. Corporate income and expenses are income and expenses incurred by corporate headquarters which are not allocated to the operating segments. Each of the operating segments is managed separately as the resources requirement of each of them is different.

The Group now excludes the disclosure of segment assets on the basis that the amounts of reportable segments assets are not materially different from the amounts reported in the last annual financial statements.

Information regarding the Group's reportable segments including reportable segment revenue and the reconciliation of reportable segment profit/(loss) to profit before income tax is as follows:

	Property investment and development HK\$'000	Property leasing HK\$'000	Other segment HK\$'000	Consolidated HK\$'000
<b>Six months ended</b>				
<b>30 June 2013 (Unaudited)</b>				
Reportable segment revenue	7,909,908	62,181	36,704	8,008,793
Reportable segment profit	2,287,885	346,309	435	2,634,629
Corporate income				279
Corporate expenses				(55,481)
Profit before income tax				2,579,427



## Notes to the Condensed Financial Statements (continued)

## 5. SEGMENT INFORMATION (continued)

	<b>Property investment and development</b>	<b>Property leasing</b>	<b>Other segment</b>	<b>Consolidated</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June 2012 (Unaudited)				
Reportable segment revenue	5,047,489	57,336	32,641	5,137,466
Reportable segment profit/(loss)	2,327,285	224,963	(2,136)	2,550,112
Corporate income				3,399
Corporate expenses				(32,343)
Profit before income tax				2,521,168

During the six months ended 30 June 2013, the Group recognized a fair value gain on investment properties of HK\$296,751,000 (for the six months ended 30 June 2012: HK\$187,359,000). The fair value gain is reported under the segment of "Property leasing".

## Notes to the Condensed Financial Statements *(continued)*

### 6. OTHER INCOME

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest income on:		
Bank deposits	<b>29,797</b>	13,860
Amounts due from a joint venture	–	1,417
Total interest income on financial assets not at fair value through profit or loss	<b>29,797</b>	15,277
Sundry income	<b>2,786</b>	2,749
	<b>32,583</b>	18,026

### 7. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest charges on:		
Bank borrowings and overdrafts	<b>187,101</b>	106,231
Other loans	–	6,275
Imputed interest expense on convertible bonds (note 16)	<b>74,828</b>	44,934
Total interest expense on financial liabilities not at fair value through profit or loss	<b>261,929</b>	157,440
Less: Amount capitalized in properties under development	<b>(256,273)</b>	(149,611)
	<b>5,656</b>	7,829

## Notes to the Condensed Financial Statements (continued)

## 8. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit before income tax is arrived at after charging/(crediting):		
Amortization:		
Prepaid lease rental on land	157	26
Other intangible assets <sup>#</sup>	2,414	2,385
Depreciation of property, plant and equipment	5,881	3,196
<b>Total amortization and depreciation</b>	<b>8,452</b>	5,607
Reversal of impairment on financial assets:		
— Loans and receivables*	—	(8,233)
Impairment/(Reversal of impairment loss) on non-financial assets:		
— Goodwill* (note)	—	19,122
— Other assets*	—	(12,302)
<b>Net foreign exchange loss/(gain)**</b>	<b>6,730</b>	(1,377)

<sup>#</sup> included in "Cost of sales and services provided" in the condensed consolidated income statement

\* included in "Reversal of impairment on assets, net" in the condensed consolidated income statement

\*\* included in "Administrative expenses" in the condensed consolidated income statement

Note: For the six months ended 30 June 2012, due to the certain properties of project companies were nearly sold out and the management had no future plan on these project companies, the recoverable amount of these project companies as separate cash-generating units felt below their carrying amounts. Based on the results of the impairment testing, impairment loss of HK\$19,122,000 was recognized for the project companies and the entire amounts of the impairment loss were fully allocated to the goodwill attributed to that cash-generating units.

## Notes to the Condensed Financial Statements *(continued)*

### 9. INCOME TAX EXPENSE

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Income tax expense comprise:		
Current tax for the period		
PRC — Enterprise income tax ("EIT")	<b>506,940</b>	587,480
PRC — Land appreciation tax ("LAT")	<b>373,796</b>	634,953
	<b>880,736</b>	1,222,433
Over provision in prior year		
PRC — EIT	<b>(87,382)</b>	–
Deferred tax	<b>71,551</b>	(45,231)
	<b>864,905</b>	1,177,202

For the six months ended 30 June 2013, no Hong Kong profits tax has been provided as the Group did not derive any estimated assessable profits in Hong Kong for the period (six months ended 30 June 2012: Nil).

EIT arising from other regions of the PRC is calculated at 25% on the estimated assessable profits (six months ended 30 June 2012: 25%).

PRC LAT is levied at progressive rates from 30% to 50% (six months ended 30 June 2012: 30% to 60%) on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights and development and construction expenditure.

Notes to the Condensed Financial Statements *(continued)***10. DIVIDENDS**

The Board has declared that an interim dividend of HK\$0.05 (six months ended 30 June 2012: HK\$0.05) per share, amounting to HK\$114,112,000 (six months ended 30 June 2012: HK\$114,112,000), will be paid to the shareholders of the Company whose names appear in the Register of Members on 28 August 2013.

At the reporting date, a dividend of HK\$0.06 per share, amounting to HK\$136,934,000 was recognized as a liability (note 14) as the final dividend for the financial year ended 31 December 2012. During the six months ended 30 June 2012, a dividend of HK\$0.05 per share, amounting to HK\$76,075,000 was paid to shareholders as the final dividend for the financial year ended 31 December 2011.

**11. EARNINGS PER SHARE**

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

**Earnings**

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Earnings used in calculating basic earnings per share	<b>1,563,727</b>	1,300,619
Adjustment to the profit of the Group		
— imputed interest on convertible bonds	<b>496</b>	345
Earnings used in calculating diluted earnings per share	<b>1,564,223</b>	1,300,964

## Notes to the Condensed Financial Statements *(continued)*

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

#### Weighted average number of ordinary shares (note)

	Six months ended 30 June	
	2013 (Unaudited) '000	2012 (Unaudited) '000
Weighted average number of ordinary shares used in calculating basic earnings per share	<b>2,282,240</b>	2,282,240
Effect of dilutive potential ordinary shares — issuance of shares for conversion of convertible bonds	<b>263,347</b>	147,590
Weighted average number of ordinary shares used in calculating diluted earnings per share	<b>2,545,587</b>	2,429,830

Note: The weighted average number of ordinary shares used in calculating the basic earnings per share and diluted earnings per share is adjusted for the Bonus Share Issue 2012 (as defined and disclosed in note 17 respectively) as if the bonus share issue had occurred on 1 January 2012.

### 12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group incurred capital expenditure of approximately HK\$3,120,000 (six months ended 30 June 2012: HK\$3,275,000) in motor vehicles, approximately HK\$2,875,000 (six months ended 30 June 2012: HK\$1,460,000) in furniture, fixtures and office equipment and approximately HK\$210,000 (six months ended 30 June 2012: Nil) in leasehold improvement. In addition, for the six months ended 30 June 2012, the Group transferred certain inventories of properties with carrying value of HK\$9,606,000 to land and buildings under property, plant and equipment.

## Notes to the Condensed Financial Statements (continued)

## 13. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
Trade receivables	<b>523,160</b>	169,664
Less: Impairment of trade receivables	<b>(9)</b>	(9)
Trade receivables, net	<b>523,151</b>	169,655
Other receivables	<b>133,505</b>	106,408
Prepayments and deposits	<b>3,001,778</b>	2,516,770
	<b>3,658,434</b>	2,792,833

The ageing analysis of the trade receivables (based on invoice date) net of impairment allowance is as follows:

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
30 days or below	<b>440,380</b>	169,539
31–60 days	<b>921</b>	–
61–90 days	<b>634</b>	–
91–180 days	<b>69,190</b>	–
181–360 days	<b>11,924</b>	26
Over 360 days	<b>102</b>	90
	<b>523,151</b>	169,655

The credit terms in connection with sales of properties granted to the buyers are set out in the sale and purchase agreements and vary for different agreements. In general, trade receivables are due on presentation of invoices.



## Notes to the Condensed Financial Statements *(continued)*

### 13. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS *(continued)*

In general, trade receivables that are aged below one year are not considered impaired based on management's historical experience and management would consider allowance for impairment of trade receivables which are aged one year or above.

The Group has minimal trade receivables balances which are past due but not impaired as at the reporting date.

In determining the recoverability of trade receivables, the Group also considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no credit provision required as at the end of the reporting period.

Certain amount of trade receivable are pledged as further detailed in note 18.

### 14. TRADE AND OTHER PAYABLES

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
Trade payables	<b>3,466,128</b>	3,281,810
Other payables* and accruals	<b>945,655</b>	684,489
Deposits received	<b>89,308</b>	68,351
	<b>4,501,091</b>	4,034,650

\* A dividend of HK\$0.06 per share, amounting to HK\$136,934,000 was included in other payables as the final dividend for the financial year ended 31 December 2012.



## Notes to the Condensed Financial Statements (continued)

## 14. TRADE AND OTHER PAYABLES (continued)

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

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
30 days or below	<b>1,301,271</b>	1,885,481
31–60 days	<b>84,095</b>	165,129
61–90 days	<b>58,630</b>	117,299
91–180 days	<b>590,492</b>	283,095
181–360 days	<b>959,608</b>	559,869
Over 360 days	<b>472,032</b>	270,937
	<b>3,466,128</b>	3,281,810

## 15. BORROWINGS

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
<b>Current liabilities</b>		
Bank borrowings	<b>2,118,860</b>	2,052,536
<b>Non-current liabilities</b>		
Bank borrowings	<b>6,531,279</b>	3,454,443
	<b>8,650,139</b>	5,506,979

## Notes to the Condensed Financial Statements *(continued)*

### 15. BORROWINGS *(continued)*

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
Analysis into:		
Bank borrowings		
Secured (note 18)	<b>881,360</b>	425,488
Unsecured	<b>7,768,779</b>	5,081,491
	<b>8,650,139</b>	5,506,979

The movement of bank borrowings and other loan is as follows:

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
Carrying amount at the beginning of the period/year	<b>5,506,979</b>	4,002,707
Translation adjustment	<b>56,274</b>	(1,334)
New bank borrowings raised	<b>4,484,252</b>	2,417,934
Repayment of bank borrowings and other loan	<b>(1,397,366)</b>	(912,328)
Carrying amount at the end of the period/year	<b>8,650,139</b>	5,506,979

## Notes to the Condensed Financial Statements (continued)

## 15. BORROWINGS (continued)

Notes:

- (i) Bank borrowings

The maturity profile of bank borrowings is as follows:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
<b>Current liabilities</b>		
Term loans due for repayment within one year	2,118,860	2,052,536
<b>Non-current liabilities</b>		
Term loans due for repayment after one year		
After one year but within two years	1,984,960	1,079,150
After two year but within five years	4,278,587	2,270,462
After five years	267,732	104,831
	<b>6,531,279</b>	<b>3,454,443</b>
	<b>8,650,139</b>	<b>5,506,979</b>

The bank borrowings as at 30 June 2013 were arranged at floating rates of 1.88%–7.04% per annum (at 31 December 2012: 1.90%–7.32% per annum).

- (ii) The carrying amounts of the bank borrowings are denominated in the following currencies:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Hong Kong Dollar	4,475,000	2,225,000
Renminbi ("RMB")	3,825,039	2,931,879
US Dollar	350,100	350,100
	<b>8,650,139</b>	<b>5,506,979</b>

In the opinion of the directors, the carrying amounts of the Group's current and non-current borrowings approximate their fair values. The fair values of the non-current borrowings are calculated by discounting their expected future cash flows at market rates for instruments of similar terms.

## Notes to the Condensed Financial Statements *(continued)*

### 16. CONVERTIBLE BONDS

The movement of the liability and equity components of the convertible bonds is set out as below:

	<b>Liability component</b>	<b>Equity component</b>
	HK\$'000	HK\$'000
Fair value on initial recognition (Audited)	1,610,103	589,897
Direct transaction costs (Audited)	(51,685)	(8,701)
	1,558,418	581,196
Imputed interest expenses (Audited)	114,125	–
Finance costs paid (Audited)	(22,000)	–
Carrying amount as at 31 December 2012 and 1 January 2013 (Audited)	<b>1,650,543</b>	<b>581,196</b>
Imputed interest expenses (note 7) (Unaudited)	<b>74,828</b>	–
Finance costs paid (Unaudited)	<b>(49,937)</b>	–
Carrying amount as at 30 June 2013 (Unaudited)	<b>1,675,434</b>	<b>581,196</b>

The convertible bonds are listed in the Singapore Exchange Securities Trading Limited. As at 30 June 2013, with reference to the average quotation of the convertible bonds published by a leading global financial market data provider, the approximate fair value of the convertible bonds was HK\$2,620,567,000 (at 31 December 2012: HK\$2,593,433,000).

## Notes to the Condensed Financial Statements (continued)

## 17. SHARE CAPITAL

	Par value per share HK\$	Number of ordinary shares '000	Nominal value HK\$'000
<b>Authorized</b>			
Balance at 1 January 2012 (Audited), 31 December 2012 (Audited) and 30 June 2013 (Unaudited)	0.01	45,000,000	450,000
<b>Issued and fully paid</b>			
Balance at 1 January 2012 (Audited)	0.01	1,521,493	15,215
Bonus Share Issue 2012 (note)	0.01	760,747	7,607
Balance at 31 December 2012 (Audited) and 1 January 2013 (Audited) and 30 June 2013 (Unaudited)	0.01	2,282,240	22,822

Note: On 28 February 2012, the directors of the Company recommended a bonus issue to the shareholders of the Company on the basis of one bonus share for every two existing shares of the Company in issue (the "Bonus Share Issue 2012"). The proposed Bonus Share Issue 2012 was approved by the shareholders of the Company at the annual general meeting on 30 May 2012. Immediately after the Bonus Share Issue 2012, the issued share capital of the Company becomes approximately HK\$22,822,000 divided into approximately 2,282,240,000 ordinary shares of HK\$0.01 each by the creation of additional approximately 760,747,000 ordinary shares. The bonus shares had been credited as fully paid by way of capitalization of an amount of approximately HK\$7,607,000 in the share premium account of the Company. The related share issue expenses amounted to HK\$32,000. The bonus shares rank pari passu in all respects with the existing shares of the Company (except that they are not entitled to the final dividend for the year ended 31 December 2011).

The share capital of the Company at the end of reporting period comprises only of fully paid ordinary shares with a par value of HK\$22,822,000 (as at 31 December 2012: HK\$22,822,000). All shares are equally eligible to receive dividends and to the repayment of capital and each share is entitled to one vote at shareholders' meeting of the Company.

## Notes to the Condensed Financial Statements *(continued)*

### 18. PLEDGE OF ASSETS

At the end of the reporting period, the carrying amount of the assets pledged by the Group to secure general banking loan facilities granted to the Group are analyzed as follows:

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
Land and buildings in property, plant and equipment	<b>13,686</b>	10,934
Investment properties	<b>2,583,225</b>	2,243,989
Inventories of properties	<b>2,047,507</b>	–
Trade receivables	<b>2,511</b>	–
	<b>4,646,929</b>	2,254,923

### 19. COMMITMENTS

At the end of each reporting period, the Group had significant commitments as follows:

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
Contracted for but not provided for in the financial statements:		
— Acquisition of land	<b>1,207,180</b>	1,576,768
— Property development	<b>4,360,502</b>	2,708,446
Authorized but not contracted for:		
— Investment in equity interest	<b>577,438</b>	577,170
— Acquisition of land	<b>2,725,733</b>	3,396,977

## Notes to the Condensed Financial Statements (continued)

## 20. GUARANTEES

At the end of each reporting period, the Group and the Company had issued the following significant guarantees:

	The Group		The Company	
	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Guarantees given to:				
Bank for term loan facility granted to a subsidiary	-	-	250,000	250,000
Bank for a standby letter of credit facility granted to a subsidiary	-	-	2,235,000	2,235,000
Banks for mortgage loans granted to purchasers of certain subsidiaries' properties	6,935,239	5,066,777	-	-
	<b>6,935,239</b>	5,066,777	<b>2,485,000</b>	2,485,000

In the opinion of the directors, the financial impact arising from providing the above financial guarantees is insignificant and accordingly, they are not accounted for in these financial statements.

## Notes to the Condensed Financial Statements *(continued)*

### 21. 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:

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Nature of transactions</b>		
<b>COLI (note (i)) and its subsidiaries</b>		
Royalty expenses	<b>80,142</b>	51,427
Property management fees expenses	<b>187</b>	2,142
Rental income	<b>7,767</b>	7,674
<b>CSCECL (note (ii)) and its subsidiaries</b>		
Property construction costs	<b>117,967</b>	352,763
<b>PRC government departments/authorities</b>		
Land use rights acquisitions	<b>2,963,970</b>	1,360,535
<b>Key management (including directors)</b>		
Remuneration	<b>4,666</b>	4,141

Notes:

- (i) China Overseas Land & Investment Limited ("COLI") is a controlling shareholder of the Company during the period.
- (ii) China State Construction Engineering Corporation Limited ("CSCECL") is an intermediate holding company of COLI.

## Notes to the Condensed Financial Statements (continued)

## 22. FAIR VALUE MEASUREMENT

The Group's fair value hierarchy is shown as below:

	Fair value measurement using			Fair value HK\$'000
	Quoted prices in active market for identical assets (Level 1) HK\$'000	Significant other observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
<b>As at 30 June 2013 (Unaudited)</b>				
<b>Recurring fair value measurement:</b>				
<b>Non-financial assets —</b>				
Investment properties	–	2,583,225	–	2,583,225

During the six months ended 30 June 2013, there were no transfers among Level 1, Level 2 and Level 3 during the period.

Level 2 fair values of investment properties have been generally derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter.



### **Interim Dividend**

After reviewing the interim result performance for the six months ended 30 June 2013 and working capital requirements for the Group's future expansion of its business, the Board declared an interim dividend of HK\$0.05 per share (2012: HK\$0.05 per share) which will be payable on 9 October 2013 to the members of the Company registered as at the close of business on 28 August 2013.

The Register of Members of the Company will be closed on 28 August 2013 during which time no transfer of shares can be registered. In order to qualify for the interim dividend, all transfers, accompanied by the relevant certificates, must be lodged with the Company's share registrar, Tricor Standard Limited, 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 27 August 2013.

### **Share Capital**

The Company's total issued share capital as at 30 June 2013 was 2,282,239,894 ordinary shares of HK\$0.01 each.

### **Model Code for Securities Transactions**

The Company has adopted Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as the code of conduct for dealings in securities of the Company by the Directors (the "Model Code"). Having made thorough enquiry of the Directors, the Company can reasonably confirm that the Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2013.



## Others *(continued)*

### Information on Share Option Scheme of the Company

At the annual general meeting of the Company held on 11 May 2005, the Company's shareholders approved the adoption of a share option scheme (the "Option Scheme") and the purposes of the Option Scheme are to attract and retain high-calibre personnel to provide them with the opportunity to acquire equity in the Company and to motivate them to high level of performance.

Unless otherwise terminated by the Board or shareholders of the Company in general meeting in accordance with the terms of the Option Scheme, the Option Scheme shall be effective for a period of 10 years from 11 May 2005 (the "Scheme Period") and after which no further options will be granted but the provisions of the Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto.

The Board may, at its absolute discretion, offer any eligible person options to subscribe for shares in the Company. Upon acceptance of the offer of an option, the grantee shall pay HK\$1.00 to the Company as a consideration for option granted. No options were granted since 11 May 2005.

The maximum number of shares that can be granted under the Option Scheme shall not in aggregate exceed 10% of the total number of shares in the Company in issue as at 11 May 2005 unless the Company obtains a further approval from its shareholders in general meeting for refreshing such 10% limit.

The exercise price per share under the Option Scheme shall be determined by the Board but shall be not less than the greatest of:

- (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the offer date, which must be a business day;
- (b) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the offer date; and
- (c) the nominal value of the shares.

In the event of a capitalization issue, rights issue, sub-division or consolidation of the shares or reduction of the capital of the Company whilst any option remains exercisable, the Company shall make such corresponding adjustments to the exercise price per share for the outstanding options.

## Directors' and Chief Executives' Interests in Securities

As at 30 June 2013, the Directors and the chief executives of the Company 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 pursuant to the Model Code:

### Long Positions in shares of the Company

Name of Director	Capacity	Nature of Interests	Number of ordinary shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital of the Company (Note 1)
Mr. Yung Kwok Kee, Billy	Beneficial owner	Personal	17,849,999	416,677,687	18.26%
	Beneficiary of a trust (Note 2)	Other	398,827,688		
Dr. Chung Shui Ming, Timpson	Beneficial owner	Personal	213,250	213,250	0.01%

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 executives 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. None of the Directors and chief executives of the Company (including their spouses and children under the age of 18) had, as at 30 June 2013, 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.

## Others *(continued)*

### Directors' and Chief Executives' Interests in Securities *(continued)*

*Long Positions in shares of the Company (continued)*

Notes:

1. The percentage is based on the total number of shares of the Company in issue as at 30 June 2013 (i.e. 2,282,239,894 shares).
2. These shares are held by a trust for the benefit of Mr. Yung Kwok Kee, Billy and his family members.

### Substantial Shareholders' Interests in Securities

As at 30 June 2013, the following persons (other than Directors or the chief executives of the Company) were interested 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 substantial shareholder	Capacity	Nature of Interests	Number of ordinary shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital of the Company (Note 1)
China State Construction Engineering Corporation ("CSCEC")	Interest of controlled corporation (Note 2)	Interest in controlled corporation	866,700,549	866,700,549	37.98%
Diamond Key Enterprises Inc. ("Diamond Key")	Beneficial owner (Note 3)	Beneficial	225,894,069	225,894,069	9.90%
On Fat Profits Corporation ("On Fat")	Beneficial owner (Note 3)	Beneficial	156,698,369	156,698,369	6.87%
UBS TC (Jersey) Ltd. ("UBS TC")	Trustees of trusts (Note 3)	Other	398,827,688	398,827,688	17.48%
Mr. Wang Tao Guang	Beneficial owner	Beneficial	225,883,774	225,883,774	9.90%

**Substantial Shareholders' Interests in Securities** *(continued)*

Save as disclosed above, the Company had not been notified by any other person (other than Directors or the chief executives 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 2013.

Notes:

1. The percentage is based on the total number of shares of the Company in issue as at 30 June 2013 (i.e. 2,282,239,894 shares).
2. CSCEC is interested in 866,700,549 shares which comprises of 833,531,049 shares held by Star Amuse Limited ("Star Amuse") and 33,169,500 shares held by Chung Hoi Finance Limited ("Chung Hoi"). Star Amuse is a wholly-owned subsidiary of Big Crown Limited ("Big Crown"). Big Crown and Chung Hoi are wholly-owned subsidiaries of China Overseas Land & Investment Limited ("COLI") which in turn is a non-wholly owned subsidiary of China Overseas Holdings Limited ("COHL"). COHL is a subsidiary of CSCECL which in turn is a non-wholly owned subsidiary of CSCEC.
3. 398,827,688 shares held by UBS TC (including 225,894,069 shares and 156,689,369 shares held by Diamond Key and On Fat respectively) are disclosed in the section headed "Directors' and Chief Executives' Interests in Securities" above as being held under a trust with Mr. Yung Kwok Kee, Billy and his family members as the beneficiaries. None of the Directors are directors or employees of On Fat and Diamond Key.





## Others *(continued)*

### **Corporate Governance**

The Company always strives to raise the standard of its corporate governance and regards corporate governance as part of value creation. This reflects the commitment of the Board and senior management on abiding by the standards of corporate governance, as well as our willingness to maintain transparency and accountability to maximise the value of our shareholders as a whole.

Except for the deviations from codes A.4.1, A.6.7 and D.1.4, the Company has applied the corporate governance principles and complied with all the code provisions (where applicable, most of the recommended best practices) set out in Appendix 14 to the Listing Rules ("CG Codes") for the six months ended 30 June 2013.

CG Codes A.4.1 and D.1.4 stipulate that non-executive Directors should be appointed for a specific term and directors should have formal letters of appointment. The non-executive Directors of the Company are not appointed for a specific term and do not have a formal letters of appointment, however, they are subject to retirement by rotation and re-election in accordance with the Company's articles of association.

In addition to the above deviations, the Company has not complied with CG Code A.6.7 which requires the independent non-executive Directors to attend the general meeting. Due to an overseas engagement, Dr. Timpson Chung Shui Ming, one of the independent non-executive Directors, was unable to attend general meeting of the Company held on 7 May 2013. However, all other independent non-executive Directors were present thereat to be available to answer any question to ensure effective communication with shareholders of the Company.



### Disclosure Pursuant to Rule 13.21 of the Listing Rules

On 15 March 2012, the Company entered into the Letter of Credit Facility Agreement in relation to the standby letter of credit issued to the trustee in an amount up to HK\$2,235,000,000 as part of the credit-enhancement or guarantee arrangement for the Convertible Bonds. Subject to certain exceptions, the standby letter of credit shall expire on the date falling three years and thirty days after 21 March 2012.

The Letter of Credit Facility Agreement includes, inter alia, covenants to the effect that COLI shall beneficially own not less than 30% of the issued share capital of the Company. A breach of such covenants will constitute an event of default under the Letter of Credit Facility Agreement.

As at the date of this interim report, COLI owns approximately 37.98% of the entire issued share capital of the Company.

### Changes in Directors' Information

Changes in directors' information since the date of the 2012 annual report of the Company, which are required to be disclosed pursuant to Rules 13.51B(1) of the Listing Rules, are set out below:

Name of director	Details of changes
Mr. Hao Jian Min	<ul style="list-style-type: none"> <li data-bbox="375 933 986 965">Elected as chairman of COLI</li> </ul>
Mr. Chen Bin	<ul style="list-style-type: none"> <li data-bbox="375 997 986 1029">Ceased to act as director of certain subsidiaries of COLI</li> </ul>



## Others *(continued)*

### **Purchase, Sale or Redemption of the Company's Listed Securities**

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the six months ended 30 June 2013.

### **Review of Interim Report by Audit Committee**

The Audit Committee of the Board of Directors has reviewed the Company's unaudited interim results for the six months ended 30 June 2013, and discussed with the Company's management regarding auditing, internal control and other important matters.





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CHINA OVERSEAS GRAND OCEANS GROUP LTD.

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