



中國海外宏洋集團有限公司
CHINA OVERSEAS GRAND OCEANS GROUP LTD.

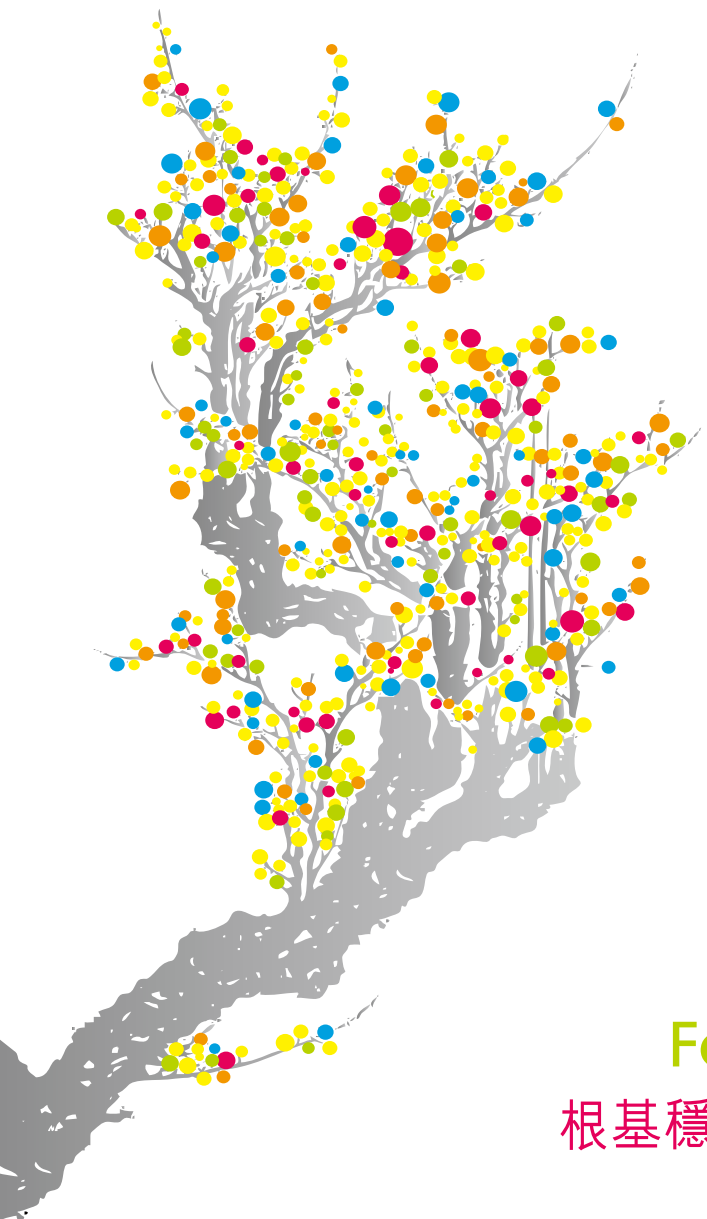
Stock Code 股份代號: 00081

2014

Interim Report 中期報告

Robust
Prosperity
on Solid
Foundation

根基穩健 茁實成長



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Board of Directors, Honourable Chairman and Committees

Honourable Chairman

Kong Qingping[#]

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

[#] *not a director of the Company*
^{*} *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
Level 22, Hopewell Centre
183 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
Shanghai Pudong Development Bank
Co., Ltd., Hong Kong Branch

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
(the "Stock Exchange").

Ordinary Shares (as at 30 June 2014)

Shares outstanding 2,282,239,894 shares

Investor Relations

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Corporate Communications Department
Telephone : (852) 2823 7888
Facsimile : (852) 2529 9211
E-mail : cogo.ir@cohl.com

Public Relations

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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 2014. Affected by a significant reduction in fair value gain of the investment properties as well as the short term effects of structural economic adjustments in the PRC, the Group's unaudited consolidated profit attributable to the owners of the Company for the first half year of 2014 was HK\$1,074.2 million, a decrease of 31.3% comparing with the same period last year.

In January 2014, the Group has further enlarged its source of fund from the world-wide capital market after successfully issued a 5-year US\$400 Million Guaranteed Notes. This has not only strengthened the funding capability of the Group to propel its business plan, but also laid down a more solid foundation of the strategic framework.

In the last six months, the Group extended its business to Shantou, Guangdong, and successfully acquired four parcels of land in Lanzhou, Shantou, Yangzhou and Nanning with total development area of approximately 2,703,000 sq.m.. As of 30 June 2014, total land bank of the Group in the PRC reached 13,057,100 sq.m..

RESULTS

For the first half year ended 30 June 2014, contracted property sales of the Group was HK\$8,220.0 million (2013: HK\$8,448.1 million), that is 2.7% slightly lower comparing with the corresponding period last year, representing a saleable gross floor area of 771,700 sq.m. (2013: 774,991 sq.m.). Also, as at 30 June 2014, the balance of preliminary sales pending the completion of sales and purchase agreements was HK\$1,936.0 million (2013: HK\$1,358.0 million) for an aggregated area of 101,400 sq.m. (2013: 111,900 sq.m.).

The Group achieved a turnover of HK\$7,893.9 million (2013: HK\$8,008.8 million) for the period, that is 1.4% marginally lower than the same period last year. Profit attributable to the owners of the Company reached HK\$1,074.2 million (2013: HK\$1,563.7 million). Basic earnings per share was HK47.1 cents (2013: HK68.5 cents).

Chairman's Statement *(continued)*

INTERIM DIVIDEND

After reviewing the interim result performance for the six months ended 30 June 2014 and working capital requirements for the Group's future expansion of its business, the board of directors of the Company (the "Board") declared an interim dividend of HK4 cents per share (2013: HK5 cents per share) which will be payable on 9 October 2014 to the members of the Company registered as at the close of business on 28 August 2014.

The Register of Members of the Company will be closed on 28 August 2014 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, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 27 August 2014.

PROSPECTS

The Economy

Despite that the economy of the United States started to show signs of mild recovery with scaling down of its asset purchase program to continue, the world economic data are mixed and overall economic growth was below expectation. There remain numerous uncertainties surrounding the international environment.

In China, the initial effects on macroscopic economic adjustments from the "Decision on Major Issues Concerning Comprehensive Deepening Reforms" adopted in its third plenum of the 18th CPC Central Committee started to take place progressively. While the medium to long term effects arising from this fundamental internal economic restructuring would take time to materialize, there would inevitably be some impacts in the short run. However, the structural transformation, industrial upgrades and changes in the mode of economic growth would bring in fresh impetus for the macroscopic economic development of China.

Yet, comparing with most of the developed countries, China as a developing country and the world's 2nd largest economic entity would offer huge investment opportunities and unleashing its immense growth potential by maintaining a target GDP growth rate of 7.5% for 2014.

Chairman's Statement *(continued)*

PROSPECTS *(continued)*

Real Estate Development

The "National New-type Urbanization Plan (2014–2020)" unveiled by the Central Government in March 2014 proposed to increase the target urbanization rate for permanent urban residents to reach 60% from the existing 53.7%. This measure would greatly enhance the pace of industrialization, and to accumulate the non-agricultural industries in the urbanized cities. In this way, rural population would migrate to the urbanized area and promote the overall national economic development.

Affected by the industrial upgrades process together with the influence of housing monetary policy, the trend of slowdown in the property market was apparent in the first half of this year. However, with the driving force from the urbanization policy and as property development is a major component of the capital investments, there remains a significant room for development to meet the ever-increasing basic accommodation needs of the urbanized citizens, especially the huge business opportunities from core demands.

Group Strategy

The Group's vision fully embraces the government's urbanization policy, with a firm commitment to become a high-growth star property developer of the highest potential in the PRC residential property market. With good customer satisfaction and company goodwill, the Group will continue to focus primarily in the emerging third-tier cities with best investment value and growth potentials, and positioning 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 would stay steadfastly on track to carry out its strategic plans. The Group has now entered into fifteen cities (including Beijing) with over 28 on-going development projects.

Chairman's Statement *(continued)*

PROSPECTS *(continued)*

Group Strategy *(continued)*

With standardized management systems, the Group would continue to streamline its operating processes and safeguard the internal controls. Leveraged with more mature understanding of the operation environment and challenges in the third-tier cities, the enhanced management capabilities of the professional teams would be able to optimize the project development cycle. To cope with the changing market environment, the Group continued to evolve new marketing methodologies, speed up sales programs and promote the sell-through rate of the inventory.

The Group would maintain a professional and prudent financial management of the financial resources and closely monitor the impacts from the external economic environment and national policy changes to the business operations.

APPRECIATION

Taking this opportunity, I would like to thank my fellow directors, our staff, our shareholders and business partners for their generous supports.

By order of the Board

China Overseas Grand Oceans Group Limited

Hao Jian Min

Chairman and Non-executive Director

Hong Kong, 31 July 2014

Management Discussion and Analysis



REVENUE AND OPERATING RESULTS

With impacts from the structural economic adjustments in the PRC such as the modification of housing monetary policy, sales in third-tier cities experienced significant challenges. While the Group has scaled down its property development activities in Beijing, revenue slipped slightly by 1.4% to HK\$7,893.9 million for the six months ended 30 June 2014. Gross profit lowered by 12.7% against last period and stayed at HK\$2,289.7 million, reflecting a lower but yet lucrative profit margin achievable for property development projects in third-tier cities.

The Group exercised stringent controls over the overhead costs. Both of the ratios that administrative expenses as well as distribution and selling expenses bore to revenue were in line with those of last period, at 2.7% and 2.1% respectively. Fair value gain of the investment properties for the current period was HK\$29.9 million, significantly lowered by HK\$266.8 million against last period. Accordingly, operating profit dropped by 23.2% to HK\$1,985.0 million for the current period under review.

Finance costs increased to HK\$8.5 million from HK\$5.7 million of last period, after capitalization of HK\$449.1 million to the on-going development projects.

For the half year ended 30 June 2014, profit attributable to equity shareholders of the Company decreased by 31.3% to HK\$1,074.2 million against last corresponding period (2013: HK\$1,563.7 million).

LAND BANK

The Group continued its expansion plan at emerging third-tier cities in the PRC with best investment value and growth potential. During the period under review, the Group expanded into Shantou, Guangdong. As well, the Group successfully bid for four land parcels in Lanzhou, Shantou, Yangzhou and Nanning. In aggregate, new additions in land bank amounted to nearly 2,703,000 sq.m. for total consideration of approximately HK\$5,250.8 million.

As at 30 June 2014, total land bank of the Group is estimated available to build gross floor area of approximately 13,057,100 sq.m. (of which, 11,907,700 sq.m. are attributable to the Group, excluding non-controlling shareholders) in fifteen cities in the PRC.

Management Discussion and Analysis *(continued)*

SEGMENT INFORMATION

Property Sales and Development

In response to the impact that macroscopic economic adjustments have modestly affected the short term demands in the property market, especially in the third-tier cities, the Group reacted spontaneously with adapted market strategies to boost sales and improve the sales-through rate in order to reduce shortfall against budget.

During the six months ended 30 June 2014, contracted property sales amounted to HK\$8,220.0 million for an aggregated area of 771,700 sq.m. sold, representing a slight reduction of 2.7% and 0.4% respectively against the same period last year. However, the balance of preliminary sales pending the completion of sales and purchase agreements increased by 42.6% to HK\$1,936.0 million (2013: HK\$1,358.0 million) for an aggregated area of 101,400 sq.m. (2013: 111,900 sq.m.) comparing with last period.

Contracted property sales from major projects during the half year ended 30 June 2014:

City	Name of project	Saleable Gross	
		Floor Area (sq.m.)	Amount (HK\$ Million)
Hefei	The Lagoon/Maison du Lac	175,788	2,360.6
Changzhou	The Imperial/The Phoenix/ Dragon Bay	86,619	860.8
Ganzhou	International Community	85,231	759.9
Lanzhou	Glorioushire/The Arch	65,112	734.2
Yinchuan	International Community	84,486	696.2
Nanning/Guilin	The Green Peak/Royal Lakefront/ The Chief Palace	67,914	594.9
Jilin	International Community/ Royal Waterfront	61,439	463.2
Yancheng	The Century/The Arch	38,967	443.5
Yangzhou	Jade Garden	30,955	400.1

Management Discussion and Analysis *(continued)*

SEGMENT INFORMATION *(continued)*

Property Sales and Development *(continued)*

As at 30 June 2014, construction work for 1,378,300 sq.m. were completed (2013: 940,700 sq.m.) with about 68% of these sold out. Coupled with stock sales, recognized revenue decreased slightly by 2.0% to HK\$7,747.9 million (2013: HK\$7,909.9 million) while segment result decreased by 15.8% to HK\$1,925.8 million (2013: HK\$2,287.9 million). On one hand, increase in revenue in third-tier cities against last period has basically subrogated the scaling down effects of business operation in Beijing, but on the other hand, due to the effects of macroscopic economic factors and market conditions, there remains some variations in the segment result.

Nonetheless, on the front line of third-tier cities alone, this period still showed an increase of 32.2% in segment revenue and 23.9% increase in segment gross profit against last period. The Group has continued to enlarge the market share in the third-tier cities. Accordingly, the operation result recorded sustainable improvement.

Recognized revenue from major projects during the half year ended 30 June 2014:

City	Name of project	Saleable Gross	
		Floor Area (sq.m.)	Amount (HK\$ Million)
Ganzhou	International Community	172,041	1,534.3
Lanzhou	The Arch	152,660	1,389.4
Hefei	The Great Hill/Maison du Lac	132,072	1,157.8
Yinchuan	International Community	156,290	1,119.4
Nanning/Guilin	The Green Peak/The Chief Palace	63,305	510.3
Yangzhou	Jade Garden	38,344	506.4
Jilin	International Community	76,044	485.5
Yancheng	The Century	14,233	268.1
Changzhou	The Phoenix	29,051	225.4
Nantong	The Aqua	25,003	201.0

In addition to the above, Maple Palace at Beijing, The Azure at Hohhot, Imperial No. 9 (previously named as "Jade Garden (Phase 2)") at Yangzhou and The Grand Canal at Yangzhou had commenced the construction work during the period.

Management Discussion and Analysis *(continued)*

SEGMENT INFORMATION *(continued)*

Property Sales and Development *(continued)*

At period end, properties under construction and stock of completed properties amounted to 5,738,162 sq.m. and 797,558 sq.m. respectively, totaling 6,535,720 sq.m.. Properties of 779,555 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 2014, due to increased average rental rate together with further investment in investment properties in the second half of last year, rental income increased to HK\$91.6 million (2013: HK\$62.2 million) with a segment profit of HK\$106.6 million (2013: HK\$346.3 million). The reduction in segment profit was mainly due to a much lower fair value gain of HK\$29.9 million (2013: HK\$296.8 million) in respect of the investment properties while contribution of HK\$2.1 million from the joint venture remains stable (2013: HK\$2.0 million).

At period end, the occupancy rates for China Overseas International Center in Xicheng District, Beijing and the scientific research office building in Zhang Jiang High-tech Zone in Shanghai were about 98% and 90% respectively. The tenancy of China Overseas Building in Jilin continued to increase steadily. The Group fully owns the Beijing and the Jilin properties while it holds 65% of the Shanghai project.

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 2014, net working capital amounted to HK\$24,575.7 million (31 December 2013: HK\$21,871.0 million), with a quick ratio of 0.6 (31 December 2013: 0.9).

During the six months ended 30 June 2014, the Group successfully issued US\$400 Million 5.125% Guaranteed Notes due 2019. In addition, new credit facilities of approximately HK\$3,466.7 million were secured from leading financial institutions. After taking into account drawdowns of HK\$2,336.8 million and repayment of matured loans of HK\$1,280.5 million during the period, total borrowings (exclude the liability portion of HK\$1,760.4 million of the convertible bonds and the amortized cost payable of HK\$3,122.8 million of the Guaranteed Notes) increased by 7.8% to HK\$13,954.9 million against last year end. Interest of such borrowings was charged at floating rates with a weighted average of 4.2% per annum. About 74.9% of such borrowings is repayable beyond one year.

Management Discussion and Analysis *(continued)*

FINANCIAL RESOURCES AND LIQUIDITY *(continued)*

On the other hand, coupled with sales achieved during the period, cash and bank balances plus restricted cash and deposits were 8.9% higher at a total of HK\$10,094.9 million compared with the last financial year end (HK\$9,268.8 million).

The net gearing ratio, expressed as a percentage of net debts (i.e. total borrowings, including the liability portion of the convertible bonds as well as the Guaranteed Notes aforesaid, net of cash and bank balances and restricted cash and deposits) to equity attributable to owners of the Company, was 72.7% as at 30 June 2014 (31 December 2013: 47.8%), which was considered within the acceptable and manageable range of the management in light of the current pace of development and operation environment.

Taking into consideration of the unutilized bank credit facilities available to the Group of HK\$2,852.1 million, the Group's total available funds (including restricted cash and deposits of HK\$1,518.3 million) reached HK\$12,947.0 million as at 30 June 2014. The Group would regularly re-evaluate its operational and investment status and endeavour to improve its cash flow and minimize its financial risks.

FOREIGN EXCHANGE EXPOSURE

As at 30 June 2014, about 26.2% and 73.8% of the Group's total borrowings (including the liability component of the convertible bonds as well as the Guaranteed Notes aforesaid) 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 2014, the Group had capital commitments totaling HK\$8,660.7 million which related mainly to property development and construction works. In addition, the Group issued guarantees to banks amounting to HK\$10,700.1 million (equivalent to RMB8,493.5 million), mainly for facilitating end-user mortgages in connection with its PRC property sales as a usual commercial practice.

Management Discussion and Analysis *(continued)*

CAPITAL EXPENDITURE AND CHARGES ON ASSETS

The Group had capital expenditures totaling HK\$6.3 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 2014, certain property assets with an aggregate carrying value of HK\$4,526.4 million in the PRC were pledged to obtain HK\$1,308.9 million (equivalent to RMB1,039.0 million) of secured borrowings from certain PRC banks for the development projects.

EMPLOYEES

As at 30 June 2014, the Group has approximately 2,568 employees (31 December 2013: 2,546). 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 2014 and the comparative figures for the corresponding period in 2013 are as follows:

	Notes	Six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Revenue	4	7,893,929	8,008,793
Cost of sales and services provided		(5,604,245)	(5,386,116)
Gross profit		2,289,684	2,622,677
Other income	6	40,862	32,583
Distribution and selling expenses		(161,638)	(151,399)
Administrative expenses		(213,207)	(217,020)
Other operating expenses		(581)	(545)
Other gains			
Fair value gain on investment properties		29,905	296,751
Gain on disposal of an investment property		–	28
Operating profit		1,985,025	2,583,075
Finance costs	7	(8,480)	(5,656)
Share of result of a joint venture		2,117	2,008
Profit before income tax	8	1,978,662	2,579,427
Income tax expense	9	(760,186)	(864,905)
Profit for the period		1,218,476	1,714,522
Profit for the period attributable to:			
Owners of the Company		1,074,213	1,563,727
Non-controlling interests		144,263	150,795
		1,218,476	1,714,522
		HK Cents	HK Cents
Earnings per share	11		
Basic		47.1	68.5
Diluted		42.3	61.4

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2014	2013
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Profit for the period	1,218,476	1,714,522
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange difference arising from translation of overseas operations		
— subsidiaries	(224,869)	251,679
— a joint venture	(951)	1,430
Other comprehensive income for the period, net of tax	(225,820)	253,109
Total comprehensive income for the period	992,656	1,967,631
Total comprehensive income attributable to:		
Owners of the Company	859,500	1,803,983
Non-controlling interests	133,156	163,648
	992,656	1,967,631

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Non-current assets			
Investment properties		3,013,820	3,012,622
Property, plant and equipment	12	48,805	49,296
Prepaid lease rental on land		5,259	5,400
Other intangible assets		25,644	28,356
Interest in a joint venture		100,743	99,577
Deferred tax assets		218,806	226,387
		3,413,077	3,421,638
Current assets			
Inventories of properties		33,450,008	23,204,257
Other inventories		801	806
Trade and other receivables, prepayments and deposits	13	2,996,493	7,034,976
Prepaid lease rental on land		178	179
Amounts due from non-controlling interests		62,008	40,295
Tax prepaid		107,047	30,312
Restricted cash and deposits		1,518,280	2,073,651
Cash and bank balances		8,576,572	7,195,114
		46,711,387	39,579,590
Current liabilities			
Trade and other payables	14	7,759,706	5,486,261
Sales deposits received		6,840,563	6,476,582
Amounts due to non-controlling interests		777,775	849,064
Taxation liabilities		1,498,186	1,935,527
Borrowings	15	3,499,081	2,961,185
Convertible bonds	16	1,760,383	–
		22,135,694	17,708,619
Net current assets		24,575,693	21,870,971
Total assets less current liabilities		27,988,770	25,292,609

Condensed Consolidated Statement of Financial Position *(continued)*

	Notes	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Non-current liabilities			
Borrowings	15	10,455,854	9,981,497
Convertible bonds	16	–	1,731,858
Guaranteed notes payable	17	3,122,831	–
Deferred tax liabilities		1,292,356	1,307,590
		14,871,041	13,020,945
Net assets			
		13,117,729	12,271,664
Capital and reserves			
Share capital	18	2,128,362	22,822
Reserves		9,899,028	11,282,002
Equity attributable to owners of the Company		12,027,390	11,304,824
Non-controlling interests		1,090,339	966,840
Total equity		13,117,729	12,271,664

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company											
	Share capital	Share premium	Capital redemption reserve	Convertible bonds equity reserve	Translation reserve	Assets revaluation reserve	Statutory reserve	Other reserve	Retained profits	Total	Non-controlling interests	Total equity
	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 2013 (Audited)	22,822	1,906,373	44,822	581,196	410,711	33,893	347,513	154,345	4,464,550	7,966,225	642,873	8,609,098
Profit for the period	-	-	-	-	-	-	-	-	1,563,727	1,563,727	150,795	1,714,522
Other comprehensive income for the period	-	-	-	-	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)
Contributions 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
At 1 January 2014 (Unaudited)	22,822	1,906,373	44,822	581,196	864,318	31,749	566,996	154,345	7,132,203	11,304,824	966,840	12,271,664
Profit for the period	-	-	-	-	-	-	-	-	1,074,213	1,074,213	144,263	1,218,476
Other comprehensive income for the period	-	-	-	-	(214,713)	-	-	-	-	(214,713)	(11,107)	(225,820)
Total comprehensive income for the period	-	-	-	-	(214,713)	-	-	-	1,074,213	859,500	133,156	992,656
Transition to no-par value regime on 3 March 2014 (note 18(iii))	2,105,540	(1,906,373)	(44,822)	-	-	-	-	(154,345)	-	-	-	-
2013 final dividend approved (note 10)	-	-	-	-	-	-	-	-	(136,934)	(136,934)	-	(136,934)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(11,355)	(11,355)
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	1,698	1,698
Transactions with owners	-	-	-	-	-	-	-	-	(136,934)	(136,934)	(9,657)	(146,591)
At 30 June 2014 (Unaudited)	2,128,362	-	-	581,196	649,605	31,749	566,996	-	8,069,482	12,027,390	1,090,339	13,117,729

Condensed Consolidated Statement of Cash Flows

	Notes	Six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Net cash used in operating activities		(2,726,440)	(1,724,229)
Investing activities			
Interest received		38,026	30,272
Purchase of property, plant and equipment	12	(6,279)	(6,205)
Proceeds from disposal of an investment property		–	5,017
Decrease/(Increase) in restricted cash and deposits		538,953	(316,794)
Net cash generated from/(used in) investing activities		570,700	(287,710)
Financing activities			
Decrease in amounts due to non-controlling interests		(63,510)	(24,719)
New bank borrowings raised	15	2,336,813	4,484,252
Repayment of bank borrowings	15	(1,280,474)	(1,397,366)
Net proceeds from issuance of the guaranteed notes payable	17	3,049,165	–
Finance costs paid		(312,813)	(233,872)
Dividends paid to non-controlling interests		(11,355)	–
Contributions from non-controlling interests		1,698	37,533
Net cash generated from financing activities		3,719,524	2,865,828
Net increase in cash and cash equivalents		1,563,784	853,889
Cash and cash equivalents at the beginning of the period*		7,093,362	5,982,086
Effect of foreign exchange rate changes on cash and cash equivalents		(80,574)	126,231
Cash and cash equivalents at the end of the period		8,576,572	6,962,206

* Cash and bank balances as stated in the condensed consolidated statement of financial position as at 31 December 2013 included short-term time deposits with maturity beyond three months but within one year in amount of HK\$101,752,000. No such short-term time deposit as at 30 June 2014.

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. 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 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 Hohhot, Yinchuan, Jilin, Hefei, Nanning, Lanzhou, Ganzhou, Yangzhou, Nantong, Changzhou, and Yancheng.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2014 (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 “Listing Rules”). 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 2013.

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 31 July 2014.

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.

Save as described in note 3 “Adoption of new or 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 2013, as described in those annual financial statements.

Notes to the Condensed Financial Statements *(continued)*

3. ADOPTION OF NEW OR REVISED HKFRSs

The HKICPA has issued the following amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company.

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment Entities
- Amendments to HKAS 32, Offsetting Financial Assets and Financial Liabilities
- Amendments to HKAS 36, Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to HKAS 39, Novation of Derivatives and Continuation of Hedge Accounting
- HK(IFRIC) 21, Levies

The application of the above new or revised HKFRSs has had no material effect on the Group's results and financial position.

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

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:

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Sales of properties	7,747,882	7,909,908
Property rental income	91,620	62,181
Property management fee income	54,427	36,704
Total revenue	7,893,929	8,008,793

Notes to the Condensed Financial Statements *(continued)*



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.

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 and segment liabilities on the basis that the amounts of reportable segments assets and segments liabilities are not materially different from the amounts reported in the last annual financial statements.

Notes to the Condensed Financial Statements (continued)

5. SEGMENT INFORMATION (continued)

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

	Property investment and development HK\$'000	Property leasing HK\$'000	Other segment HK\$'000	Consolidated HK\$'000
Six months ended				
30 June 2014 (Unaudited)				
Reportable segment revenue	7,747,882	91,620	54,427	7,893,929
Reportable segment profit/(loss)	1,925,750	106,632	(1,555)	2,030,827
Corporate income				3,669
Corporate expenses				(55,834)
Profit before income tax				1,978,662
Six months ended				
30 June 2013 (Unaudited)				
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

During the six months ended 30 June 2014, the Group recognized a fair value gain on investment properties of HK\$29,905,000 (six months ended 30 June 2013: HK\$296,751,000). The fair value gain is reported under the segment of "Property leasing".

Notes to the Condensed Financial Statements (continued)

6. OTHER INCOME

	Six months ended 30 June	
	2014	2013
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Total interest income on financial assets not at fair value through profit or loss:		
Bank deposits	38,035	29,797
Sundry income	2,827	2,786
	40,862	32,583

7. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest charges on:		
Bank borrowings and guaranteed notes payable	379,113	187,101
Imputed interest expense on the convertible bonds (note 16)	78,462	74,828
Total interest expense on financial liabilities not at fair value through profit or loss	457,575	261,929
Less: Amount capitalized	(449,095)	(256,273)
	8,480	5,656

Notes to the Condensed Financial Statements (continued)

8. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Profit before income tax is arrived at after charging/(crediting):		
Amortization:		
Prepaid lease rental on land	89	157
Other intangible assets [#]	2,446	2,414
Depreciation of property, plant and equipment	6,363	5,881
Total amortization and depreciation	8,898	8,452
Staff costs	158,673	126,244
Net foreign exchange (gain)/loss*	(21,209)	6,730

[#] included in "Cost of sales and services provided" in the condensed consolidated income statement

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

Notes to the Condensed Financial Statements (continued)

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Income tax expense comprises:		
Current tax for the period		
PRC — Enterprise income tax ("EIT")	498,938	506,940
PRC — Land appreciation tax ("LAT")	242,289	373,796
	741,227	880,736
Under/(Over) provision in prior years		
PRC	15,623	(87,382)
Deferred tax	3,336	71,551
	760,186	864,905

For the six months ended 30 June 2014, 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 2013: Nil).

EIT arising from other regions of the PRC is calculated at 25% (six months ended 30 June 2013: 25%) on the estimated assessable profits.

PRC LAT is levied at progressive rates from 30% to 50% (six months ended 30 June 2013: 30% to 50%) on the estimated 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\$0.04 (six months ended 30 June 2013: HK\$0.05) per share, amounting to HK\$91,290,000 (six months ended 30 June 2013: HK\$114,112,000), will be paid to the shareholders of the Company whose names appear in the Register of Members on 28 August 2014.

At the reporting date, a dividend of HK\$0.06 (six months ended 30 June 2013: HK\$0.06) per share, amounting to HK\$136,934,000 (six months ended 30 June 2013: HK\$136,934,000) was recognized as a liability (note 14) as the final dividend for the financial year ended 31 December 2013.

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

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Earnings used in calculating basic earnings per share	1,074,213	1,563,727
Adjustment to the profit of the Group — imputed interest on the convertible bonds	2,259	496
Earnings used in calculating diluted earnings per share	1,076,472	1,564,223

Notes to the Condensed Financial Statements *(continued)***11. EARNINGS PER SHARE** *(continued)***Weighted average number of ordinary shares**

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	'000	'000
Weighted average number of ordinary shares used in calculating basic earnings per share	2,282,240	2,282,240
Effect of dilutive potential ordinary shares — issuance of shares for conversion of the convertible bonds	263,347	263,347
Weighted average number of ordinary shares used in calculating diluted earnings per share	2,545,587	2,545,587

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group incurred capital expenditure of approximately HK\$3,399,000 (six months ended 30 June 2013: HK\$3,120,000) in motor vehicles and approximately HK\$2,880,000 (six months ended 30 June 2013: HK\$2,875,000) in furniture, fixtures and office equipment. No capital expenditure was incurred in leasehold improvement (six months ended 30 June 2013: HK\$210,000).

Notes to the Condensed Financial Statements (continued)

13. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Trade receivables	592,637	584,316
Less: Impairment of trade receivables	–	–
Trade receivables, net	592,637	584,316
Other receivables	377,689	294,995
Prepayments and deposits	2,026,167	6,155,665
	2,996,493	7,034,976

The ageing analysis of the trade receivables net of impairment allowance, based on invoice date or when appropriate, date of transfer of property, is as follows:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
30 days or below	456,781	473,535
31–60 days	747	678
61–90 days	747	–
91–180 days	58,082	58,773
181–360 days	75,458	48,485
Over 360 days	822	2,845
	592,637	584,316

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. Rentals receivable from tenants and service income receivable from customers are generally due on presentation of invoices.

Notes to the Condensed Financial Statements *(continued)*

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

Overdue receivables are reviewed regularly by senior management and impairment provision would be considered for those balances.

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

At the end of each reporting period, management reviews receivables for evidence of impairment on both an individual and collective basis. Trade receivables at the end of the reporting period relate to a large number of unrelated customers who did not have a recent history of default. Accordingly, no impairment provision is necessary in respect of these receivables.

14. TRADE AND OTHER PAYABLES

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Trade payables	6,583,983	4,692,420
Other payables and accruals	871,919	656,194
Dividend payables (note 10)	136,934	–
Deposits received	166,870	137,647
	7,759,706	5,486,261

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:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
30 days or below	4,775,462	2,900,942
31–60 days	282,635	124,574
61–90 days	124,439	84,258
91–180 days	279,146	378,171
181–360 days	579,912	520,233
Over 360 days	542,389	684,242
	6,583,983	4,692,420

15. BORROWINGS

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Current		
Bank borrowings		
— due for repayment within one year	3,499,081	2,841,185
— due for repayment within one year and contain a repayment on demand clause	—	120,000
	3,499,081	2,961,185
Non-current		
Bank borrowings	10,455,854	9,981,497
	13,954,935	12,942,682

Notes to the Condensed Financial Statements (continued)



15. BORROWINGS (continued)

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Analysis into:		
Bank borrowings		
Secured (note 19)	1,308,910	1,258,538
Unsecured	12,646,025	11,684,144
	13,954,935	12,942,682

The movements of bank borrowings are as follows:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Carrying amount at the beginning of the period/year	12,942,682	5,506,979
Translation adjustment	(44,086)	110,345
New bank borrowings raised	2,336,813	10,178,693
Repayment of bank borrowings	(1,280,474)	(2,853,335)
Carrying amount at the end of the period/year	13,954,935	12,942,682

Notes to the Condensed Financial Statements (continued)

15. BORROWINGS (continued)

The current and non-current bank borrowings were scheduled to repay as follows:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Current		
On demand or within one year	3,499,081	2,961,185
Non-current		
More than one year, but not exceeding two years	1,923,690	3,120,086
More than two years, but not exceeding five years	8,357,170	6,659,696
After five years	174,994	201,715
	10,455,854	9,981,497
	13,954,935	12,942,682

The bank borrowings as at 30 June 2014 have been arranged at floating rates of 2.07%–7.04% per annum (at 31 December 2013: 1.86%–7.04%).

The carrying amounts of the bank borrowings are denominated in the following currencies:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
HK\$	8,093,890	8,026,390
Renminbi	4,929,695	4,566,192
United States Dollar	931,350	350,100
	13,954,935	12,942,682

Notes to the Condensed Financial Statements *(continued)*

16. CONVERTIBLE BONDS

The movements of the liability and equity components of the convertible bonds are set out as below:

	Liability component	Equity component
	HK\$'000	HK\$'000
Carrying amount as at 1 January 2013 (Audited)	1,650,543	581,196
Imputed interest expense (Audited)	153,252	–
Finance costs paid (Audited)	(71,937)	–
Carrying amount as at 31 December 2013 (Audited) and 1 January 2014 (Unaudited)	1,731,858	581,196
Imputed interest expense (note 7) (Unaudited)	78,462	–
Finance costs paid (Unaudited)	(49,937)	–
Carrying amount as at 30 June 2014 (Unaudited)	1,760,383	581,196

The convertible bonds will have the benefit of an irrevocable standby letter of credit issued in favour of the trustee, on behalf of the bondholders, by a bank. The Company, as a guarantor with reference to the letter of credit facility agreement, irrevocably and unconditionally undertakes with the bank for any amount incurred in relation to the standby letter of credit (note 21). Subject to certain exceptions, the irrevocable standby letter of credit shall expire on the date falling three years and thirty days after 21 March 2012.

According to the terms of the subscription agreement, each bondholder shall have the right to require the issuer to redeem all or some only of its convertible bonds at 100% of their principal amount on 21 March 2015. Accordingly, as at 30 June 2014, the liability component of the convertible bonds amounting to HK\$1,760,383,000 was re-classified to current liability from non-current liability.

The convertible bonds are listed in the Singapore Exchange Securities Trading Limited. As at 30 June 2014, with reference to the average quotation of the convertible bonds published by a leading global financial market data provider, the fair value of the convertible bonds was approximately HK\$2,212,375,000 (at 31 December 2013: HK\$2,425,317,000) and it is within level 1 of the fair value hierarchy.

Notes to the Condensed Financial Statements *(continued)*

17. GUARANTEED NOTES PAYABLE

On 23 January 2014, the Group issued US\$400,000,000 (equivalent to approximately HK\$3,100,000,000) of 5.125% fixed rate guaranteed notes (the “Notes”), which mature on 23 January 2019 at their principal amount. The issue price for the Notes is 99.037%. The effective interest rate of the Notes is 5.505% per annum. The Notes bear interest from 23 January 2014 to 23 January 2019 and are payable semi-annually in arrears on 23 January and 23 July of each year, commencing on 23 July 2014.

The Notes are unconditionally and irrevocably guaranteed by the Company (note 21). As set out in the subscription agreement, in the event that there is a change of control with respect of the Company, each noteholder will have the right to require the issuer to redeem all, or some only, of such notes at their principal amount together with accrued interest.

The net proceeds from the issuance of the Notes at 99.037% of the principal amount after the direct transaction costs of HK\$20,982,000 is HK\$3,049,165,000.

The Notes are listed on the Stock Exchange. As at 30 June 2014, with reference to the average quotation of the Notes published by a leading global financial market data provider, the fair value of the Notes was approximately HK\$3,160,450,000 and are within level 1 of the fair value hierarchy.

Notes to the Condensed Financial Statements (continued)



18. SHARE CAPITAL

	Par value per share HK\$	Number of ordinary shares '000	HK\$'000
Authorized			
Balance at 1 January 2013 (Audited), 31 December 2013 (Audited) and 1 January 2014 (Unaudited)	0.01	45,000,000	450,000
Balance at 30 June 2014 (Unaudited) (note (i))	N/A	N/A	N/A
Issued and fully paid			
Balance at 1 January 2013 (Audited), 31 December 2013 (Audited) and 1 January 2014 (Unaudited)	0.01	2,282,240	22,822
Transition to no-par value regime on 3 March 2014 (note (ii))	N/A	–	2,105,540
Balance at 30 June 2014 (Unaudited)	N/A	2,282,240	2,128,362

Notes:

- (i) Under the Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concept of authorized share capital no longer exists and also the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition. 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.
- (ii) In accordance with the transitional provisions set out in the Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, the amounts of HK\$1,906,373,000, HK\$44,822,000 and HK\$154,345,000 standing to the credit of the share premium account, capital redemption reserve and other reserve respectively have become part of the Company's share capital.

Notes to the Condensed Financial Statements (continued)

19. PLEDGE OF ASSETS

At the end of the reporting period, the carrying amount of the assets pledged by the Group to secure for bank borrowings and banking facilities granted to the Group are analyzed as follows:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Owners-occupied properties	10,912	10,843
Investment properties	2,693,830	2,686,253
Inventories of properties	1,821,706	1,990,754
	4,526,448	4,687,850

20. COMMITMENTS

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

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Contracted for but not provided for in the financial statements:		
— Acquisition of land	2,427,776	4,358,043
— Property development	4,970,519	3,958,813
Authorized but not contracted for:		
— Investment in equity interest	513,517	1,705,384
— Acquisition of land	748,860	744,602

Notes to the Condensed Financial Statements *(continued)*

21. 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 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Guarantees given to:				
Bank for term loan facility granted to a subsidiary	–	–	150,000	212,500
Bank for a standby letter of credit facility (note 16) granted to a subsidiary	–	–	2,235,000	2,235,000
Bondholders in respect of the guaranteed notes payable (note 17) issued by a subsidiary	–	–	3,100,000	–
Banks and government agencies for mortgage loans granted to certain purchasers of the Group's properties	10,700,130	8,829,954	–	–
	10,700,130	8,829,954	5,485,000	2,447,500

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)*

22. 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	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Nature of transactions		
COLI (note (i)) and its subsidiaries		
Royalty expenses	78,453	80,142
Property management fees expenses	–	187
Rental income	7,871	7,767
CSCECL (note (ii)) and its subsidiaries		
Property construction costs	232,479	117,967
PRC government departments/agencies		
Land use rights acquisitions	5,250,817	2,963,970
Key management (including directors)		
Remuneration	4,948	4,666

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)*

23. FAIR VALUE MEASUREMENT

(a) Financial instruments

As at 30 June 2014 and 31 December 2013, 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, balances with non-controlling interests, bank balances including restricted cash and deposits, borrowings, convertible bonds and guaranteed notes payable.

Due to their short-term in nature, the carrying values of the above financial instruments excluding the non-current portion of borrowings, the liability component of the convertible bonds and the guaranteed notes payable approximate their fair values.

The fair value of the non-current portion of borrowings, the liability component of the convertible bonds and the guaranteed notes payable are not materially different from their carrying values. Those fair values have been determined by using discounted cash flow models and are classified as level 3 in the fair value hierarchy. Significant inputs include discount rate used to reflect the credit risk of the Group.

(b) Non-financial assets

The fair value of the investment properties as at 30 June 2014 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 2014, there were no transfers among level 1, level 2 and level 3.

Others

SHARE CAPITAL

The Company's total number of shares in issue as at 30 June 2014 was 2,282,239,894 ordinary shares.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct for dealings in securities of the Company by the directors. 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 2014.

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.

INFORMATION ON SHARE OPTION SCHEME OF THE COMPANY

(continued)

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.

Others (continued)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2014, 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 total number of shares of the Company in issue (Note 1)
Mr. Yung Kwok Kee, Billy	Beneficial owner	Personal	34,085,249	416,677,687	18.26%
	Beneficiary of a trust (Note 2)	Other	382,592,438		
Dr. Chung Shui Ming, Timpson	Beneficial owner	Personal	363,250	363,250	0.02%

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 2014, 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.

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 2014 (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 2014, 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 total number of shares of the Company in issue (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	382,592,438	382,592,438	16.76%
Mr. Wang Tao Guang	Beneficial owner	Beneficial	225,883,774	225,883,774	9.90%

Others *(continued)*

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 2014.

Notes:

1. The percentage is based on the total number of shares of the Company in issue as at 30 June 2014 (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. 382,592,438 shares held by UBS TC (including 225,894,069 shares and 156,698,369 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 of the Company are directors or employees of On Fat and Diamond Key.

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 maximize the value of our shareholders as a whole.

Except for the deviations from codes A.4.1 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 2014.

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 but they are subject to retirement by rotation and re-election in accordance with the Company's Articles of Association.



DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

On 15 March 2012, the Company entered into a letter of credit facility agreement (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 in an aggregate principal amount of HK\$2,200,000,000 which were issued on 21 March 2012 (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 number of shares of the Company in issue. A breach of such covenants will constitute an event of default under the Letter of Credit Facility Agreement.

On 23 January 2014, the Company entered into a trust deed in relation to the issuance of the Guaranteed Notes. Under the trust deed, the holders of the Notes shall have the right, at their option, to require the Company to redeem all, or some only, of their Notes at their principal amount together with accrued interest following the occurrence of several events which include that COLI ceases to hold at least 30% of the voting rights of the number of shares of the Company in issue.

As at the date of this interim report, COLI owns approximately 37.98% of the total number of shares of the Company in issue.

CHANGES IN DIRECTORS' INFORMATION

Changes in directors' information since the date of the 2013 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
Dr. Chung Shui Ming, Timpson	<ul style="list-style-type: none"> Appointed as an independent non-executive director of Jinmao (China) Investments Holdings Limited
Mr. Lam Kin Fung, Jeffrey	<ul style="list-style-type: none"> Ceased as an independent non-executive director of Hsin Chong Construction Group Limited
Mr. Lo Yiu Ching, Dantes	<ul style="list-style-type: none"> Appointed as a board member of The Airport Authority Hong Kong

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 2014.

REVIEW OF INTERIM REPORT BY AUDIT COMMITTEE

The Audit Committee of the Board has reviewed the Company's unaudited interim results for the six months ended 30 June 2014, and discussed with the Company's management regarding auditing, internal control and other important matters.



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



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