



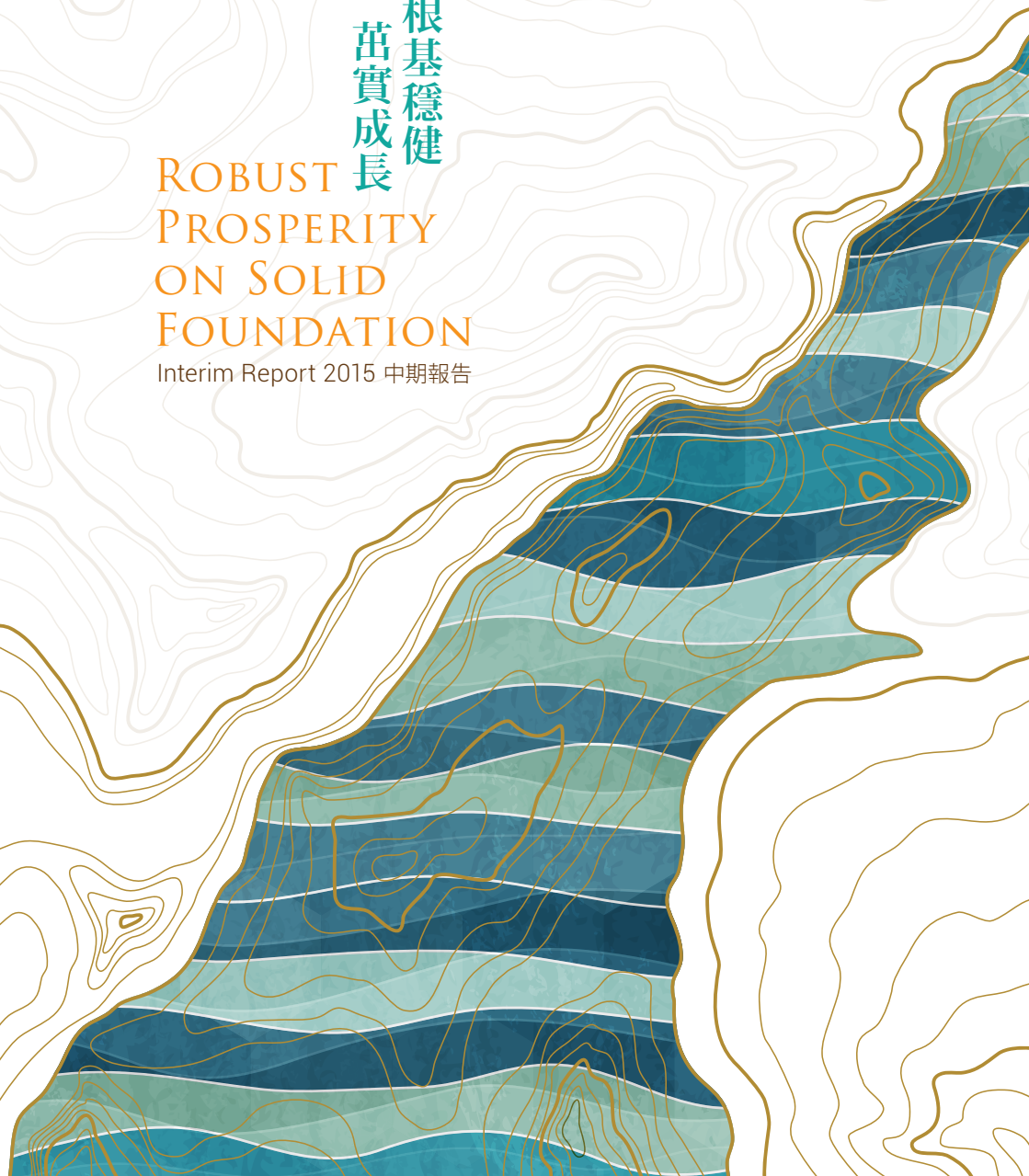
中國海外宏洋集團有限公司
CHINA OVERSEAS GRAND OCEANS GROUP LTD.

Stock Code 股份代號: 00081

根基穩健
茁實成長

ROBUST
PROSPERITY
ON SOLID
FOUNDATION

Interim Report 2015 中期報告



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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

Zhang Guiqing *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

Zhang Guiqing

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

Wang Man Kwan, Paul *(Alternate Authorized Representative to Zhang Guiqing)*

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 0600
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 2015)

Shares outstanding 2,282,239,894 shares

INVESTOR RELATIONS

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

PUBLIC RELATIONS

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

INTRODUCTION

I am pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2015. Facing China's economic structural reforms and property market adjustments, the Group achieved contracted property sales of HK\$10,075.0 million and revenue of HK\$7,278.5 million. The Group's unaudited consolidated profit attributable to the owners of the Company was HK\$595.0 million.

In the first half of 2015, the Group proactively adjusted its marketing strategies, enhanced marketing efforts to boost sales and harmonized the development pace with local market conditions in every city we operate in order to preserve our solid foundation and financial health.

The Group is still deliberating the amount of land bank in the cities where we have operations and in the emerging cities we consider to have investment value. During the period, the Group did not acquire any land parcel. As of 30 June 2015, total land bank of the Group in the PRC reached 10,969,500 sq.m..

RESULTS

For the first half year ended 30 June 2015, contracted property sales of the Group was HK\$10,075.0 million (the corresponding period in 2014: HK\$8,220.0 million), a 22.6% increase comparing with the corresponding period last year, representing a saleable gross floor area of 1,072,300 sq.m. (the corresponding period in 2014: 771,700 sq.m.). As at 30 June 2015, the balance of preliminary sales pending the completion of sales and purchase agreements was HK\$2,056.0 million (the corresponding period in 2014: HK\$1,936.0 million) for an aggregated area of 165,100 sq.m. (the corresponding period in 2014: 101,400 sq.m.).

The Group achieved a turnover of HK\$7,278.5 million (the corresponding period in 2014: HK\$7,893.9 million) for the period, that is 7.8% lower than the same period last year. Profit attributable to the owners of the Company reached HK\$595.0 million (the corresponding period in 2014: HK\$1,074.2 million). Basic earnings per share was HK26.1 cents (the corresponding period in 2014: HK47.1 cents).

INTERIM DIVIDEND

After reviewing the working capital requirements for the Group's future expansion of its business, the board of directors of the Company (the "Board") did not recommend the payment of an interim dividend (the corresponding period in 2014: HK4 cents per share) for the period ended 30 June 2015.



Chairman's Statement *(continued)*

PROSPECTS

The Economy

Despite the economy of the United States started to show signs of mild recovery and the market expectation that interest rates would start to rise in the second half of this year, world economic data were mixed and overall economic growth remained weak. The number of national central banks joining the rate cuts is unabated. The global economic recovery is still uncertain.

China, as the world's second largest economic entity, is in the advanced stage of structural and economic reforms. To combat the new challenges, the use of different fiscal and monetary policies becomes a regular exercise.

People's Bank of China continues to implement the steady monetary policies. In the first half of this year, there were three reductions in both required reserve ratios and deposit and lending interest rates which continue to support the development of the economy and reduce the corporate cost of financing.

Real Estate Development

In the first half of this year, the attitude of the respective developers in land acquisition was still prudent. Promotional destocking is still an essential objective for most developers. While the market underwent adjustment during the period, the pricing and transaction volume gradually reached the stage of stabilization.

With the driving force from the urbanization policy and, as property development is still a major component of the capital investments, there is still significant room for steady growth in the sector to meet the ever-increasing basic accommodation needs of the urbanized population, especially the huge development potential 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 with the highest development potential in the PRC residential property market. With good customer satisfaction and company goodwill, the Group will continue to focus its scope of business primarily in the emerging cities with best investment value and growth potentials, and positioning at the middle to high-end product ranges.

PROSPECTS *(continued)*

Group Strategy *(continued)*

The Group is dedicated to enlarge the operating scale and speed up the pace of development, in order to increase the marginal cost efficiency and stock turnover rate. It is therefore of paramount importance that the Group would be able to build up and maintain an appropriate 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 15 cities (including Beijing) with over 26 on-going development projects.

With standardized management systems, the Group will continue to streamline its operating processes and safeguard the internal controls. Over the past few years, leveraged with more mature understanding of the business environment and challenges in the cities with established presence, the enhanced management capabilities of the professional teams were further improved to optimize the project development cycle efficiently. To cope with the changing market environment, the Group continued to explore all kinds of marketing methodologies to speed up sales programs and further improve the sell-through rate of the inventory.

The Group will also maintain professional and prudent financial management of the financial resources, closely monitor the impacts from the external economic environment and national policy changes on the business operations and continue to enhance our advantages and market share in the cities we operate.

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, 18 August 2015

Management Discussion and Analysis

REVENUE AND OPERATING RESULTS

In the first half year, the PRC real estate market is still facing a number of challenges. Various cities have introduced housing and monetary policies to support the healthy development of the real estate industry. In response to the ever-changing market environment, the Group has made various adjustments on the pace of development and enhanced sales promotion efforts. For the six months ended 30 June 2015, the revenue was HK\$7,278.5 million which slipped slightly by 7.8% against last corresponding period. Gross profit was HK\$1,419.6 million that was 38.0% lower than the same period last year.

Due to the extended direct promotion and marketing activities, distribution and selling expenses to contracted property sales increased slightly by 0.1% to 2.1% against last corresponding period. Administrative expenses to revenue was in line with last corresponding period, at 2.7%. At the same time, the Group has exercised stringent controls over the overhead costs.

During the current period, no fair value adjustment is made from the investment properties, compared with a gain of HK\$29.9 million in the last corresponding period.

On 28 May 2015, the Group completed the disposal of 100% equity interests in subsidiaries, which carry out property management business in the PRC, with a cash consideration of RMB50.0 million (approximately HK\$63.2 million). The management considers that the core businesses of the Group are real estate development and investment in the PRC. After the disposal, the management of the Group will be relieved from responsibilities for non-core operations and can better focus on improving the operating efficiency of the property development business. In relation to the disposal, the Group recognized a gain of HK\$2.9 million.

In addition, on 21 March 2015, the Group, in accordance with the options exercised by all the bondholders, redeemed the convertible bonds issued by the Group on 21 March 2012 by cash. The amount had been arranged through a banking facility. The total redemption money was HK\$2,200.0 million, being 100% principal amount of the convertible bonds. The Group recognized a loss on the redemption of the convertible bonds of HK\$6.0 million.

Due to reduced gross profit, operating profit amounted to HK\$1,051.9 million for the current period under review, a drop of 47.0% comparing with the same period last year.

REVENUE AND OPERATING RESULTS *(continued)*

Finance costs increased to HK\$12.9 million from HK\$8.5 million of last corresponding period, after capitalization of HK\$476.6 million to the on-going development projects.

For the half year ended 30 June 2015, profit attributable to owners of the Company amounted to HK\$595.0 million (the corresponding period in 2014: HK\$1,074.2 million), a decrease of 44.6% against last corresponding period.

LAND BANK

The Group did not acquire any land parcel in the first half of the year. The Group continues to investigate its existing cities and explore into new cities in the PRC with growth potential and best investment value.

As at 30 June 2015, total land bank of the Group available to build gross floor area is approximately 10,969,500 sq.m. in 15 cities in the PRC (of which, 10,305,800 sq.m. are attributable to the Group, excluding interest attributable to non-controlling shareholders).

SEGMENT INFORMATION

Property Sales and Development

The Group proactively adjusted market strategies to boost sales and improve the sales-through rate. During the six months ended 30 June 2015, contracted property sales amounted to HK\$10,075.0 million, for an aggregated area of 1,072,300 sq.m., representing an increase of 22.6% and 39.0% respectively against the same period last year. The balance of preliminary sales pending the completion of sales and purchase agreements increased by 6.2% to HK\$2,056.0 million (the corresponding period in 2014: HK\$1,936.0 million) for an aggregated area of 165,100 sq.m. (the corresponding period in 2014: 101,400 sq.m.).

Management Discussion and Analysis *(continued)*

SEGMENT INFORMATION *(continued)*

Property Sales and Development *(continued)*

Contracted property sales from major projects during the half year ended 30 June 2015:

City	Name of project	Saleable	
		Gross Floor Area (sq.m.)	Amount (HK\$ Million)
Hefei	The Lagoon	124,458	1,617.6
Ganzhou	International Community	105,955	899.2
Nanning	International Community/Royal Lakefront/The Green Peak	118,692	867.9
Shantou	East Coast	75,005	784.0
Changzhou	The Imperial/Dragon Bay/The Phoenix	80,116	756.0
Jilin	International Community/Royal Waterfront	99,321	746.9
Yangzhou	Jade Garden/The Grand Canal/Imperial No. 9	67,403	715.1
Yancheng	The Century/The Arch	81,687	692.9
Lanzhou	Glorioushire	86,307	659.2
Yinchuan	International Community	91,840	606.1

As at 30 June 2015, construction works for 1,130,000 sq.m. were completed (the corresponding period in 2014: 1,378,300 sq.m.) with about 67% of these sold out. Coupled with stock sales, recognized revenue was HK\$7,125.3 million (the corresponding period in 2014: HK\$7,747.9 million), a slight decrease of 8.0% comparing with the same period last year. Revenue of the current period was mainly recognized from the high-rise residential projects, comparing with higher gross margin sales of commercial properties recognized in the same period last year. As a result, the segment result was HK\$975.2 million (the corresponding period in 2014: HK\$1,925.8 million) for the period which was 49.4% lower than the last corresponding period.

SEGMENT INFORMATION *(continued)*

Property Sales and Development *(continued)*

Recognized revenue from major projects during the half year ended 30 June 2015:

City	Name of project	Saleable	Amount (HK\$ Million)
		Gross Floor Area (sq.m.)	
Hefei	The Lagoon	92,213	1,227.1
Ganzhou	International Community	91,827	961.2
Changzhou	The Imperial/The Phoenix/Dragon Bay	115,075	862.0
Yancheng	The Century	110,854	815.2
Lanzhou	Glorioushire	98,920	779.4
Yangzhou	Jade Garden/The Grand Canal	67,307	645.2
Yinchuan	International Community	63,311	439.1
Jilin	International Community	52,365	375.4
Nantong	The Grove	9,093	283.1
Nanning	The Green Peak/Royal Lakefront	26,004	202.0

In addition to the above, the Left Bank at Hohhot had commenced the construction work during the period.

At period end, properties under construction and stock of completed properties amounted to 5,580,388 sq.m. and 1,045,315 sq.m. respectively, totaling 6,625,703 sq.m.. Properties of 1,463,912 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 2015, due to slightly increased average rental rates, rental income increased to HK\$103.3 million (the corresponding period in 2014: HK\$91.6 million) with a segment profit of HK\$86.4 million (the corresponding period in 2014: HK\$106.6 million). Comparing with the same period last year, the leasing business profit in this segment increased by HK\$9.7 million. However, there was no fair value gain in respect of the investment properties recognized in this period (the corresponding period in 2014: HK\$29.9 million), segment profit reduced by HK\$20.2 million. Contribution from the joint ventures remained stable at HK\$2.1 million (the corresponding period in 2014: HK\$2.1 million).

Management Discussion and Analysis *(continued)*

SEGMENT INFORMATION *(continued)*

Property Leasing *(continued)*

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 100% and 96% respectively. The Group fully owns the Beijing property while it owns 65% of the Shanghai project. On the other hand, according to the local market conditions, the leasing business development plan in relation to the China Overseas Building located in Jilin has been changed. To speed up the payback of investment on the property, the property is now being sold in the form of sub-units.

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 2015, net working capital amounted to HK\$26,876.1 million (31 December 2014: HK\$25,523.5 million), with a quick ratio of 0.7 (31 December 2014: 0.7).

During the six months ended 30 June 2015, the Group secured new credit facilities of approximately HK\$4,281.4 million from leading financial institutions. After taking into account drawdowns of HK\$4,595.9 million and repayment of matured loans of HK\$1,568.2 million during the period, total borrowings (exclude the guaranteed notes payable of HK\$3,132.1 million) increased by 19.4% to HK\$18,627.1 million against last year end. At period end, interest of the bank borrowings was charged at floating rates with a weighted average of 3.8% per annum. About 67.1% of such borrowings is repayable beyond one year.

On the other hand, coupled with healthy sales achieved during the period, cash and bank balances plus restricted cash and deposits were at a total of HK\$11,006.1 million, slightly dropped 3.5% compared with the last financial year end (HK\$11,409.8 million), in which, 94.0% were denominated in Renminbi and 6.0% were denominated in Hong Kong Dollar/US Dollar.

The net gearing ratio, expressed as a percentage of net debts (i.e. total borrowings, including the guaranteed notes payable aforesaid, net of cash and bank balances and restricted cash and deposits) to equity attributable to owners of the Company, was 85.9% as at 30 June 2015 (31 December 2014: 74.3%). Management is actively pursuing different means to reduce the net gearing ratio to maintain the Group's solid financial position.

FINANCIAL RESOURCES AND LIQUIDITY *(continued)*

Taking into consideration of the unutilized bank credit facilities available to the Group of HK\$1,991.4 million, the Group's total available funds (including restricted cash and deposits of HK\$2,984.2 million) reached HK\$12,997.5 million as at 30 June 2015. 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 2015, about 25.1% and 74.9% of the Group's total borrowings (including the guaranteed notes payable) 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 in an acceptable range.

CAPITAL COMMITMENTS AND GUARANTEES

As at 30 June 2015, the Group had capital commitments totaling HK\$6,892.5 million which related mainly to property development and construction works. In addition, the Group issued guarantees to banks amounting to HK\$14,584.0 million (equivalent to RMB11,500.7 million) in aggregate, 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\$1.1 million approximately during the current period, mainly referred to additions in furniture, fixtures and office equipment.

On the other hand, as at 30 June 2015, certain property assets with an aggregate carrying value of HK\$4,264.0 million in the PRC were pledged to obtain HK\$1,064.0 million (equivalent to RMB839.1 million) of secured borrowings in total from certain PRC banks for the development projects.

EMPLOYEES

As at 30 June 2015, the Group has 989 employees (31 December 2014: 2,739). The substantial reduction in the number of employees is due to the disposal of the property management business during the period. 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 2015 and the comparative figures for the corresponding period in 2014 are as follows:

		Six months ended 30 June	
		2015	2014
	Notes	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	4	7,278,508	7,893,929
Cost of sales and services provided		(5,858,923)	(5,604,245)
Gross profit		1,419,585	2,289,684
Other income	6	41,885	40,862
Distribution and selling expenses		(209,807)	(161,638)
Administrative expenses		(196,271)	(213,207)
Other operating expenses		(434)	(581)
Other (losses)/gains			
Fair value gain on investment properties		–	29,905
Loss on redemption of convertible bonds	16	(5,962)	–
Gain on disposal of subsidiaries	19	2,874	–
Operating profit		1,051,870	1,985,025
Finance costs	7	(12,945)	(8,480)
Share of results of joint ventures		2,143	2,117
Profit before income tax	8	1,041,068	1,978,662
Income tax expense	9	(402,215)	(760,186)
Profit for the period		638,853	1,218,476
Profit for the period attributable to:			
Owners of the Company		595,038	1,074,213
Non-controlling interests		43,815	144,263
		638,853	1,218,476
		HK Cents	HK Cents
Earnings per share	11		
Basic		26.1	47.1
Diluted		24.9	42.3

Condensed Consolidated Statement of Comprehensive Income

	Notes	Six months ended 30 June	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Profit for the period		638,853	1,218,476
Other comprehensive income			
Items that may be reclassified			
subsequently to profit or loss:			
Exchange difference arising from translation of overseas operations			
— subsidiaries		3,433	(224,869)
— joint ventures		45	(951)
Release of translation reserve upon disposal of subsidiaries	19	(2,836)	—
Other comprehensive income for the period, net of tax		642	(225,820)
Total comprehensive income for the period		639,495	992,656
Total comprehensive income attributable to:			
Owners of the Company		595,343	859,500
Non-controlling interests		44,152	133,156
		639,495	992,656

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Non-current assets			
Investment properties		3,033,802	3,032,606
Property, plant and equipment	12	41,445	48,055
Prepaid lease rental on land		5,115	5,203
Intangible assets		20,896	23,345
Interests in joint ventures		105,860	103,672
Deferred tax assets		146,707	205,781
		3,353,825	3,418,662
Current assets			
Inventories of properties		34,819,061	34,010,630
Other inventories		–	620
Trade and other receivables, prepayments and deposits	13	6,917,832	6,142,568
Prepaid lease rental on land		179	179
Amounts due from non-controlling interests		160,525	82,631
Tax prepaid		471,659	243,208
Restricted cash and deposits		2,984,195	2,584,487
Cash and bank balances		8,021,894	8,825,281
		53,375,345	51,889,604
Current liabilities			
Trade and other payables	14	7,855,871	8,710,603
Sales deposits received		10,461,091	8,978,024
Amounts due to non-controlling interests		867,854	1,027,229
Convertible bonds — liability component	16	–	1,820,403
Taxation liabilities		1,194,450	1,697,766
Borrowings	15	6,120,026	4,132,040
		26,499,292	26,366,065
Net current assets		26,876,053	25,523,539
Total assets less current liabilities		30,229,878	28,942,201

Condensed Consolidated Statement of Financial Position *(continued)*

	Notes	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Non-current liabilities			
Borrowings	15	12,507,103	11,465,350
Guaranteed notes payable	17	3,132,144	3,128,825
Deferred tax liabilities		1,372,621	1,375,657
		17,011,868	15,969,832
Net assets			
		13,218,010	12,972,369
Capital and reserves			
Share capital	18	2,144,018	2,144,018
Reserves		10,370,114	10,157,237
Equity attributable to owners of the Company		12,514,132	12,301,255
Non-controlling interests		703,878	671,114
Total equity		13,218,010	12,972,369

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company											
	Share capital	Share premium	Convertible		Translation reserve	Assets		Other reserve	Retained profits	Total	Non-controlling interests	Total equity
			Capital redemption reserve	bonds equity reserve		revaluation reserve	Statutory 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 2014 (Audited)	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
Net 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(ii)) (Restated)	2,121,196	(1,906,373)	(44,822)	-	-	-	-	(154,345)	(15,666)	-	-	-
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) (Restated)	2,144,018	-	-	581,196	649,605	31,749	566,996	-	8,053,826	12,027,390	1,090,339	13,117,729
At 1 January 2015 (Unaudited)	2,144,018	-	-	581,196	822,738	31,749	702,960	-	8,018,594	12,301,255	671,114	12,972,369
Net profit for the period	-	-	-	-	-	-	-	-	595,038	595,038	43,815	638,853
Other comprehensive income for the period	-	-	-	-	305	-	-	-	-	305	337	642
Total comprehensive income for the period	-	-	-	-	305	-	-	-	595,038	595,343	44,152	639,495
Transfer from statutory reserve upon disposal of subsidiaries	-	-	-	-	-	-	(634)	-	634	-	-	-
Redemption of convertible bonds (Note 16)	-	-	-	(581,196)	-	-	-	-	221,552	(359,644)	-	(359,644)
2014 final dividend approved (note 10)	-	-	-	-	-	-	-	-	(22,822)	(22,822)	-	(22,822)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(11,388)	(11,388)
Transactions with owners	-	-	-	(581,196)	-	-	-	-	198,730	(382,466)	(11,388)	(393,854)
At 30 June 2015 (Unaudited)	2,144,018	-	-	-	823,043	31,749	702,326	-	8,812,996	12,514,132	703,878	13,218,010

Condensed Consolidated Statement of Cash Flows

	Notes	Six months ended 30 June 2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000 (Restated)
Net cash used in operating activities		(1,083,554)	(2,187,487)
Investing activities			
Interest received		34,211	38,026
Purchase of property, plant and equipment	12	(1,072)	(6,279)
Proceeds from disposal of subsidiaries	19	33,626	–
Increase in short-term time deposits with maturity beyond three months but within one year		(210)	–
Net cash generated from investing activities		66,555	31,747
Financing activities			
Decrease in amounts due to non-controlling interests		(159,427)	(63,510)
New bank borrowings	15	4,595,915	2,336,813
Repayment of bank borrowings	15	(1,568,195)	(1,280,474)
Redemption of convertible bonds	16	(2,200,000)	–
Net proceeds from issue of guaranteed notes	17	–	3,049,165
Finance costs paid		(443,531)	(312,813)
Dividends paid to non-controlling interests		(11,388)	(11,355)
Contributions from non-controlling interests		–	1,698
Net cash generated from financing activities		213,374	3,719,524
Net (decrease)/increase in cash and cash equivalents		(803,625)	1,563,784
Cash and cash equivalents at the beginning of period*		8,811,605	7,093,362
Effect of foreign exchange rate changes on cash and cash equivalents		22	(80,574)
Cash and cash equivalents at the end of period		8,008,002	8,576,572
Analysis of balances of cash and cash equivalents:			
Cash and bank balances as stated in the condensed consolidated statement of financial position		8,021,894	8,576,572
Less: Short-term time deposits with maturity beyond three months but within one year		(13,892)	–
Cash and cash equivalents at the end of period		8,008,002	8,576,572

* Cash and bank balances as stated in the condensed consolidated statement of financial position as at 31 December 2014 included short-term time deposits with maturity beyond three months but within one year in amount of HK\$13,676,000.



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 Changzhou, Ganzhou, Hefei, Jilin, Nanning, Shantou, Yancheng and Yangzhou.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2015 (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 2014.

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 18 August 2015.

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 2014, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3. ADOPTION OF NEW OR REVISED HKFRSs

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

HKFRSs (Amendments)	Annual Improvements 2010–2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011–2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans – Employee Contributions

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

Notes to the Condensed Financial Statements *(continued)*

3. ADOPTION OF NEW OR REVISED HKFRSs *(continued)*

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2015 and have not been early adopted by the Group:

HKFRS 14	Regulatory Deferral Accounts ¹
HKFRS 11	Accounting for Acquisitions of Interests in Joint Operation ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortization ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations ¹
Amendments to HKFRS 7	Financial Instruments: Disclosures ¹
Amendments to HKAS 19	Employee Benefits ¹
Amendments to HKAS 34	Interim Financial Reporting ¹
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 9	Financial Instruments ³
HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2017

³ Effective for annual periods beginning on or after 1 January 2018

The Group has not applied any new or revised standards 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:

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Sales of properties	7,125,348	7,747,882
Property rental income	103,298	91,620
Property management fee income	49,862	54,427
Total revenue	7,278,508	7,893,929

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 holds commercial units located in the PRC for leasing 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 revenue from external customers 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 ventures. 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.

Segment assets include all assets with the exception of tax assets and corporate assets, including certain cash and bank balances and other assets which are not directly attributable to the business activities of the operating segments as these assets are managed on a group basis.

Segment liabilities include trade and other payables, accrued liabilities, amounts due to non-controlling interests and other liabilities directly attributable to the business activities of the operating segments and exclude tax liabilities, corporate liabilities and liabilities such as bank borrowings and guaranteed notes payable that are managed on a group basis.

Notes to the Condensed Financial Statements *(continued)*

5. SEGMENT INFORMATION *(continued)*

Information regarding the Group's reportable segments including reportable segment revenue, reportable segment profit/(loss), segment assets, segment liabilities, the reconciliation to profit before income tax, total assets and total liabilities 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 2015 (Unaudited)				
Reportable segment revenue	7,125,348	103,298	49,862	7,278,508
Reportable segment profit	975,162	86,378	14,146	1,075,686
Corporate income				392
Corporate expenses				(35,010)
Profit before income tax				1,041,068
As at 30 June 2015 (Unaudited)				
Reportable segment assets	52,146,316	3,299,891	–	55,446,207
Tax assets				618,366
Corporate assets				664,597
Total consolidated assets				56,729,170
As at 30 June 2015 (Unaudited)				
Reportable segment liabilities	19,013,350	102,969	–	19,116,319
Tax liabilities				2,567,071
Borrowings				18,627,129
Guaranteed notes payable				3,132,144
Corporate liabilities				68,497
Total consolidated liabilities				43,511,160

Notes to the Condensed Financial Statements *(continued)*

5. SEGMENT INFORMATION *(continued)*

	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
As at 31 December 2014 (Audited)				
Reportable segment assets	51,228,784	3,278,762	105,525	54,613,071
Tax assets				448,989
Corporate assets				246,206
Total consolidated assets				55,308,266
As at 31 December 2014 (Audited)				
Reportable segment liabilities	18,411,656	109,584	119,490	18,640,730
Tax liabilities				3,073,423
Borrowings				15,597,390
Convertible bonds — liability component				1,820,403
Guaranteed notes payable				3,128,825
Corporate liabilities				75,126
Total consolidated liabilities				42,335,897

For the six months ended 30 June 2015, the Group did not recognize any fair value gain on investment properties (six months ended 30 June 2014: HK\$29,905,000). The fair value gain was reported under the segment of "Property leasing".

Notes to the Condensed Financial Statements *(continued)*

5. SEGMENT INFORMATION *(continued)*

On 18 May 2015, the Group entered into an agreement to dispose the property management services companies and does not intend to re-engage in such non-core business in the medium term (note 19). Thus, no other segment assets and other segment liabilities were reported at this reporting date. The gain on disposal of subsidiaries was reported under the segment of "Other segment" for the six months ended 30 June 2015.

6. OTHER INCOME

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Total interest income on financial assets not at fair value through profit or loss:		
Bank deposits	34,211	38,035
Sundry income	7,674	2,827
	41,885	40,862

7. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest charges on:		
Bank borrowings and guaranteed notes payable	453,603	379,113
Imputed interest expense on convertible bonds (note 16)	35,991	78,462
Total interest expense on financial liabilities not at fair value through profit or loss	489,594	457,575
Less: Amount capitalized	(476,649)	(449,095)
	12,945	8,480

Notes to the Condensed Financial Statements *(continued)*

8. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit before income tax is arrived at after charging/(crediting):		
Amortization:		
Prepaid lease rental on land	89	89
Intangible assets #	2,453	2,446
Depreciation of property, plant and equipment	6,207	6,363
Total amortization and depreciation	8,749	8,898
Staff costs	155,806	158,673
Net foreign exchange gain*	(2,554)	(21,209)

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

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

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Income tax expense comprises:		
Current tax for the period		
Other regions of the PRC		
— Enterprise income tax ("EIT")	218,991	498,938
— Land appreciation tax ("LAT")	130,313	242,289
	349,304	741,227
(Over)/Under provision in prior years		
Other regions of the PRC	(2,523)	15,623
Deferred tax	55,434	3,336
	402,215	760,186

Notes to the Condensed Financial Statements *(continued)*

9. INCOME TAX EXPENSE *(continued)*

For the six months ended 30 June 2015, 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 2014: Nil).

EIT arising from other regions of the PRC is calculated at 25% (six months ended 30 June 2014: 25%) on the estimated assessable profits.

PRC LAT is levied at progressive rates from 30% to 50% (six months ended 30 June 2014: 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.

10. DIVIDENDS

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2015. During last period, the Board declared interim dividend of HK\$0.04 per share, amounting to HK\$91,290,000.

At the reporting date, a dividend of HK\$0.01 (six months ended 30 June 2014: HK\$0.06) per share, amounting to HK\$22,822,000 (six months ended 30 June 2014: HK\$136,934,000) was recognized as a liability (note 14) as the final dividend for the financial year ended 31 December 2014.

11. EARNINGS PER SHARE

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

Earnings

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings used in calculating basic earnings per share	595,038	1,074,213
Adjustment to the profit of the Group attributable to imputed interest on convertible bonds	1,382	2,259
Earnings used in calculating diluted earnings per share	596,420	1,076,472

Notes to the Condensed Financial Statements *(continued)*

11. EARNINGS PER SHARE *(continued)*

Weighted average number of ordinary shares

	Six months ended 30 June	
	2015 (Unaudited) '000	2014 (Unaudited) '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 convertible bonds	116,396	263,347
Weighted average number of ordinary shares used in calculating diluted earnings per share	2,398,636	2,545,587

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group incurred capital expenditure of approximately HK\$1,072,000 (six months ended 30 June 2014: HK\$2,880,000) in furniture, fixtures and office equipment. No capital expenditure was incurred in motor vehicles (six months ended 30 June 2014: HK\$3,399,000).

13. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Trade receivables	449,206	336,359
Less: Impairment of trade receivables	—	—
Trade receivables, net	449,206	336,359
Other receivables	455,352	377,910
Prepayments and deposits	6,013,274	5,428,299
	6,917,832	6,142,568

Notes to the Condensed Financial Statements *(continued)*

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

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

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
30 days or below	270,101	211,984
31–60 days	533	1,469
61–90 days	9,217	974
91–180 days	34,997	22,680
181–360 days	119,250	93,667
Over 360 days	15,108	5,585
	449,206	336,359

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.

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 which are neither past due nor impaired 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.

Notes to the Condensed Financial Statements *(continued)*

14. TRADE AND OTHER PAYABLES

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Trade payables	6,615,565	6,374,692
Other payables and accruals	794,561	1,856,916
Dividend payables (note 10)	22,822	–
Deposits received	422,923	478,995
	7,855,871	8,710,603

The ageing analysis of the Group's trade payables based on invoice date is as follows:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
30 days or below	4,000,522	3,541,095
31–60 days	337,850	386,937
61–90 days	191,163	269,098
91–180 days	731,907	565,875
181–360 days	706,643	733,470
Over 360 days	647,480	878,217
	6,615,565	6,374,692

Notes to the Condensed Financial Statements *(continued)*

15. BORROWINGS

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Current		
Bank borrowings	6,120,026	4,132,040
Non-current		
Bank borrowings	12,507,103	11,465,350
	18,627,129	15,597,390

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Analysis into:		
Bank borrowings		
Secured (note 20)	1,064,002	1,004,164
Unsecured	17,563,127	14,593,226
	18,627,129	15,597,390

The movement of bank borrowings is as follows:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Carrying amount at the beginning of the period/year	15,597,390	12,942,682
Translation adjustment	2,019	(10,904)
New bank borrowings raised	4,595,915	5,088,746
Repayment of bank borrowings	(1,568,195)	(2,423,134)
Carrying amount at the end of the period/year	18,627,129	15,597,390

Notes to the Condensed Financial Statements *(continued)*

15. BORROWINGS *(continued)*

The bank borrowings were scheduled for repayment as follows:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
On demand or within one year	6,120,026	4,132,040
More than one year, but not exceeding two years	2,762,812	3,139,714
More than two years, but not exceeding five years	9,618,075	8,174,514
After five years	126,216	151,122
	18,627,129	15,597,390

The bank borrowings as at 30 June 2015 have been arranged at annual floating rates of 1.99% to 6.88% (31 December 2014: 2.08% to 6.60%).

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

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
HK\$	11,543,891	8,443,890
Renminbi ("RMB")	5,454,388	5,524,650
United States Dollars	1,628,850	1,628,850
	18,627,129	15,597,390

16. CONVERTIBLE BONDS

On 21 March 2012, China Overseas Grand Oceans Finance (Cayman) Limited (the "CB Issuer"), a wholly-owned subsidiary of the Company incorporated in the Cayman Islands issued HK\$2,200,000,000 Guaranteed Convertible Bonds due 2017 (the "Convertible Bonds"). The Convertible Bonds were issued at 100% of the principal amount.

Notes to the Condensed Financial Statements *(continued)*

16. CONVERTIBLE BONDS *(continued)*

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. 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.

The Convertible Bonds bear interest from and including 21 March 2012 up to but excluding 21 March 2015 at the rate of 2.00% per annum of the principal amount of the Convertible Bonds. Interest is payable semi-annually in arrear on 21 March and 21 September in each year. After 21 March 2015 or after the conversion rights of the Convertible Bonds have been exercised, the Convertible Bonds will not bear any interest.

The Convertible Bonds are convertible in the circumstances set out in the terms and conditions at any time on or after 21 March 2014 up to the close of business on the seventh day prior to 21 March 2017 by the bondholders into ordinary shares in the issued share capital in the Company at an conversion price of HK\$8.354 per share (as adjusted from the initial conversion price HK\$12.532 per share for the bonus share issued in 2012).

The movement of the liability and equity components of the Convertible Bonds is set out as below:

	Liability component	Equity component
	HK\$'000	HK\$'000
Carrying amount as at 1 January 2014 (Audited)	1,731,858	581,196
Imputed interest expense (Audited)	160,483	–
Finance costs paid (Audited)	(71,938)	–
Carrying amount as at 31 December 2014 (Audited) and 1 January 2015 (Unaudited)	1,820,403	581,196
Imputed interest expense (note 7) (Unaudited)	35,991	–
Finance costs paid (Unaudited)	(22,000)	–
Amount redeemed (Unaudited)	(1,834,394)	(581,196)
Carrying amount as at 30 June 2015 (Unaudited)	–	–

Notes to the Condensed Financial Statements *(continued)*

16. CONVERTIBLE BONDS *(continued)*

According to the terms of the subscription agreement, each bondholder shall have the right to require the CB Issuer to redeem all or some only of its Convertible Bonds at 100% of their principal amount on 21 March 2015. All the bondholders gave notice to the Group to exercise their redemption option to redeem all of their outstanding Convertible Bonds on 21 March 2015. Accordingly, the Company, on behalf of the CB Issuer, has redeemed all outstanding Convertible Bonds on 21 March 2015. The total redemption money was HK\$2,200,000,000, being the 100% principal amount of the Convertible Bonds. The Group recognized a loss on redemption of the Convertible Bonds of HK\$5,962,000 and a balance of convertible bond equity reserve in amount of HK\$221,552,000 was transferred to the retained profits of the Group during the six months ended 30 June 2015.

Upon redemption, all the Convertible Bonds were cancelled and accordingly delisted from the Singapore Exchange Securities Trading Limited.

17. GUARANTEED NOTES PAYABLE

The movements of the carrying amount of the guaranteed notes payable are set out as below:

	HK\$'000
Fair value on initial recognition (Audited)	3,070,147
Direct transaction costs (Audited)	(20,982)
Net proceeds from issue of guaranteed notes payable (Audited)	3,049,165
Imputed interest expense (Audited)	159,098
Finance costs paid (Audited)	(79,438)
Carrying amount as at 31 December 2014 (Audited) and 1 January 2015 (Unaudited)	3,128,825
Imputed interest expense (Unaudited)	82,757
Finance costs paid (Unaudited)	(79,438)
Carrying amount as at 30 June 2015 (Unaudited)	3,132,144

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 2014 (Audited)	0.01	45,000,000	450,000
Balance at 31 December 2014 (Audited), 1 January 2015 (Unaudited) and 30 June 2015 (Unaudited) (note (i))	N/A	N/A	N/A
Issued and fully paid			
Balance at 1 January 2014 (Audited)	0.01	2,282,240	22,822
Transition to no-par value regime on 3 March 2014 (Audited) (note (ii))	N/A	–	2,121,196
Balance at 31 December 2014 (Audited), 1 January 2015 (Unaudited) and 30 June 2015 (Unaudited)	N/A	2,282,240	2,144,018

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\$170,001,000 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. DISPOSAL OF SUBSIDIARIES

On 18 May 2015, the Group entered into an agreement (the "Agreement") with 中海物業管理有限公司 (China Overseas Property Management Co., Ltd.*) ("COPM") in relation to disposal of its 100% equity interests in 中海宏洋物業管理有限公司 (China Overseas Grand Oceans Property Management Limited*) ("COGOPM") and COGOPM's subsidiaries (collectively, the "COGOPM Group") for a cash consideration of RMB50,030,000 (equivalent to approximately HK\$63,161,000). COPM is an indirect wholly-owned subsidiary of China Overseas Land & Investment Limited ("COLI"), a controlling shareholder of the Company.

Before the disposal, COGOPM was a wholly-owned subsidiary of the Group. Upon completion of the disposal in May 2015, COGOPM was no longer a subsidiary of the Group.

The net assets of the COGOPM Group at the date of disposal were as follows:

	(Unaudited) HK\$'000
Property, plant and equipment	526
Other inventories	100
Trade and other receivables, prepayments and deposits	383
Amount due from a shareholder	66,923
Cash and bank balances	29,535
Trade and other payables	(26,363)
Sales deposit received	(7,390)
Amounts due to fellow subsidiaries	(73)
Tax liabilities	(518)
	63,123

The gain on the disposal of the COGOPM Group is calculated as follows:

	(Unaudited) HK\$'000
Consideration pursuant to the Agreement	63,161
Less: Net assets disposed of	(63,123)
Add: Reclassification of cumulative exchange differences from translation reserve to profit or loss	2,836
Gain on disposal	2,874

Notes to the Condensed Financial Statements *(continued)*

19. DISPOSAL OF SUBSIDIARIES *(continued)*

The net cash inflow arising on the disposal of the COGOPM Group is calculated as follow:

	(Unaudited) HK\$'000
Cash consideration received	63,161
Less: Cash and bank balances disposed of	(29,535)
	33,626

Upon the disposal of the COGOPM Group aforesaid, the cumulative amount of exchange differences amounting to HK\$2,836,000 previously recognized in other comprehensive income and accumulated in translation reserve was reclassified from translation reserve to profit or loss.

During the six months ended 30 June 2015, the disposed COGOPM Group had contributed to the Group's operating cash outflow of approximately HK\$68,587,000 and investing cash inflow of approximately HK\$2,000. The revenue and post-tax profit of the disposed COGOPM Group included in the Group's Interim Financial Statements amounted to HK\$49,862,000 and HK\$10,850,000 respectively.

Before COGOPM became a subsidiary of COLI, members of the COGOPM Group were engaged to provide property management services in respect of various property development projects owned by the Group in the PRC. These property management transactions have become related party transactions (note 23) of the Group following the completion of the disposal.

* English translation is for identification only.

Notes to the Condensed Financial Statements *(continued)*

20. PLEDGE OF ASSETS

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

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Owners-occupied properties	10,162	10,374
Investment properties	2,709,930	2,708,861
Inventories of properties	1,543,947	1,712,416
	4,264,039	4,431,651

21. COMMITMENTS

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

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Contracted for but not provided for in the financial statements:		
— Investment in equity interests	310,000	310,000
— Acquisition of land	—	836,851
— Property development	6,002,023	6,389,325
Authorized but not contracted for:		
— Acquisition of land	580,497	580,269

Notes to the Condensed Financial Statements *(continued)*

22. 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 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Guarantees given to:				
Banks for term loan facilities granted to subsidiaries	–	–	3,804,300	3,802,800
Bank for a standby letter of credit facility granted to a subsidiary in relation to issue of convertible bonds (note 16)	–	–	–	2,235,000
Bondholders in respect of the guaranteed notes (note 17) issued by a subsidiary	–	–	3,169,728	3,170,079
Banks and government agencies for mortgage loans granted to certain purchasers of the Group's properties	14,584,017	11,877,805	–	–
	14,584,017	11,877,805	6,974,028	9,207,879

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.

23. RELATED PARTY TRANSACTIONS

- (a) The disposal of equity interests in COGOPM was completed in May 2015 (note 19). On 1 June 2015, the Company entered into an agreement with China Overseas Property Holdings Limited (“COPH”), a direct wholly-owned subsidiary of COLI, with respect to the property management transactions to be conducted from time to time for the period from 1 June 2015 to 31 May 2018. Property management transactions represents the provision of property management services by members of COPH and its subsidiaries from time to time (the “COPH Group”) to the Group, including the existing property management transactions.

The annual consideration payable by the Group to the COPH Group for the property management transactions for the period from period from 1 June 2015 to 31 December 2015, each of the two years ending 31 December 2017 and the period from 1 January 2018 to 31 May 2018 shall not exceed RMB30,000,000, RMB50,000,000, RMB60,000,000 and RMB35,000,000 respectively.

During the six months ended 30 June 2015, total management fees paid/payable by the Group to the COPH Group amounted to approximately RMB1,050,000 (equivalent to approximately HK\$1,329,000).

Notes to the Condensed Financial Statements *(continued)*

23. RELATED PARTY TRANSACTIONS *(continued)*

- (b) 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	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Nature of transactions		
COLI and its subsidiaries		
Royalty expenses	72,341	78,453
Rental income	8,860	7,871
CSCECL (note) and its subsidiaries		
Property construction costs	–	232,479
PRC government departments/agencies		
Land use rights acquisitions	–	5,250,817
Key management (including directors)		
Remuneration	5,090	4,948

Note:

China State Construction Engineering Corporation Limited ("CSCECL") is an intermediate holding company of COLI.

24. FAIR VALUE MEASUREMENT

(a) Financial instruments

As at 30 June 2015 and 31 December 2014, the Group did not have any financial instruments measured at fair value and accordingly, no analysis on fair value hierarchy is presented.

Financial instruments not measured at fair value include trade and other receivables, balances with non-controlling interests, bank balances including restricted cash and deposits, trade payables, other payables and accruals, borrowings and guaranteed notes payable.

Due to their short-term nature, the carrying values of trade and other receivables, balances with non-controlling interests, bank balances including restricted cash and deposits, trade payable, other payables and accruals and current borrowings approximate their fair values.

For disclosure purpose, the fair value of non-current borrowings 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 the discount rates used to reflect the credit risks of the Group.

(b) Non-financial assets

The fair value of the investment properties as at 30 June 2015 is a level 3 recurring fair value measurement and determined using the same approach as the last year end. During the six months ended 30 June 2015, there were no transfers among level 1, level 2 and level 3 in the fair value hierarchy.

SHARE CAPITAL

The Company's total number of shares in issue as at 30 June 2015 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 2015.

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 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 44.7 million shares in the Company representing 1.96% of the total number of shares in the Company in issue as at 30 June 2015. Upon acceptance of the offer of an option, the grantee shall pay HK\$1.00 to the Company as a consideration for option granted.

The said 44.7 million shares represents the maximum number of shares that can be granted under the Option Scheme and 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.

No option has been granted pursuant to the Option Scheme since its adoption and the Option Scheme has expired on 11 May 2015.



Others *(continued)*

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 may make such corresponding adjustments to the entitlements for the outstanding options.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2015, 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. Zhang Guiqing	Beneficial owner	Personal	207,500	207,500	0.01%
Mr. Yung Kwok Kee, Billy	Beneficial owner Beneficiary of a trust (Note 2)	Personal Other	34,085,249 307,592,438	341,677,687	14.97%
Dr. Chung Shui Ming, Timpson	Beneficial owner	Personal	363,250	363,250	0.02%



Others *(continued)*

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES *(continued)*

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

Save as disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any director or chief 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 2015, 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.

Notes:

1. The percentage is based on the total number of shares of the Company in issue as at 30 June 2015 (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 2015, 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	150,894,069	150,894,069	6.61%
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	307,592,438	307,592,438	13.48%
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 2015.

Notes:

1. The percentage is based on the total number of shares of the Company in issue as at 30 June 2015 (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. 307,592,438 shares held by UBS TC (including 150,894,069 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 A.6.7, 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 2015 .

CG Code A.4.1 stipulates that non-executive directors should be appointed for a specific term. Two non-executive directors of the Company are not appointed for a specific term, however, they are subject to retirement by rotation and re-election in accordance with the Company's Articles of Association.

CORPORATE GOVERNANCE *(continued)*

In addition to the above deviation, 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 annual general meeting of the Company held on 2 June 2015. 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

Following the redemption of the Convertible Bonds, the letter of credit facility agreement mentioned in our announcement dated 14 March 2012 requiring COLI to own not less than 30% interest in the Company was no longer applicable since March 2015.

On 23 January 2014, the Company entered into a trust deed in relation to the issuance of US\$400 million guaranteed notes due 2019 (the “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.

On 20 January 2015, the Company entered into a facility letter (the “Facility Letter”) with DBS Bank Ltd., Hong Kong Branch (the “Lender”), pursuant to which a term loan facility of up to HK\$2,200,000,000 (the “Facility”) has been granted to the Company for a period of one year from the date of the first drawing under the Facility. Pursuant to the Facility Letter, it will be an event of default if (i) COLI, the controlling shareholder of the Company owns, directly or indirectly, less than 30% of the total number of shares of the Company in issue; and (ii) COLI ceases to maintain a controlling position in the board of directors of the Company. The Lender is entitled to declare that the Facility shall be cancelled and all outstanding amounts (including principal and interest) due or owing by the Company to the Lender under the Facility Letter shall become immediately due and payable.

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



Others *(continued)*

CHANGE IN DIRECTOR'S INFORMATION

Change in director's information since the date of the 2014 annual report of the Company, which is required to be disclosed pursuant to Rules 13.51B(1) of the Listing Rules, is set out below:

Name of director	Details of change
Mr. Lo Yiu Ching, Dantes	<ul style="list-style-type: none">Appointed as adviser to CEO of The Airport Authority Hong Kong

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

Save for the redemption of all Convertible Bonds mentioned in the note 16, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 June 2015.

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 2015, and discussed with the Company's management regarding auditing, internal control and other important matters.



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