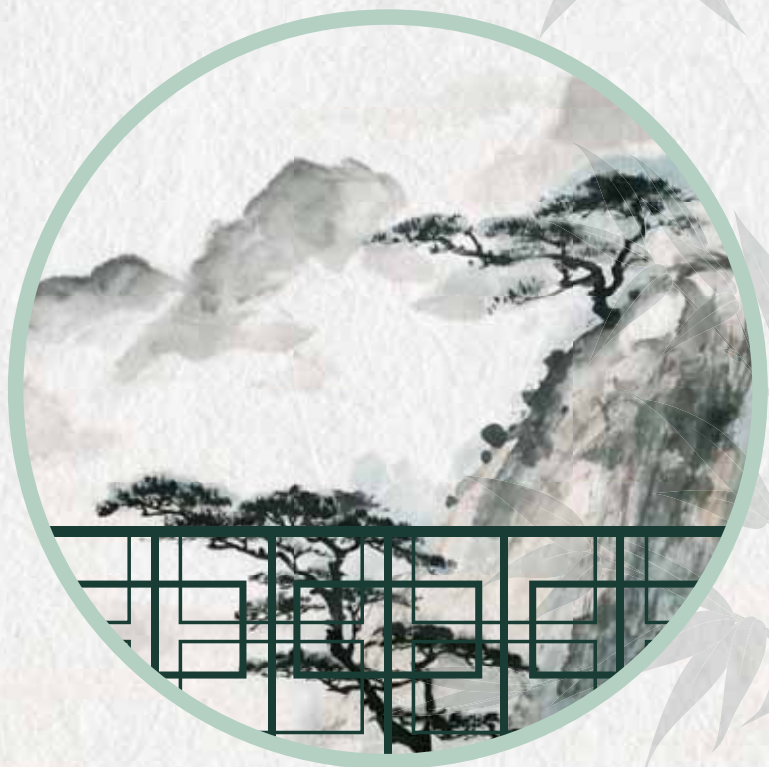




中國海外宏洋集團有限公司  
CHINA OVERSEAS GRAND OCEANS GROUP LTD.

Stock Code 股份代號: 00081



## Robust Prosperity On Solid Foundation

根基穩健 茁實成長

Interim Report 2016 中期報告

## 目錄

2	董事局、名譽主席以及委員會
3	公司及股東資料
4	主席報告書
7	管理層討論及分析
14	簡明綜合收益表
15	簡明綜合全面收益表
16	簡明綜合財務狀況表
18	簡明綜合權益變動表
19	簡明綜合現金流量表
20	簡明財務報告附註
40	其他
40	股本
40	證券交易的標準守則
40	董事及行政總裁之證券權益
42	主要股東之證券權益
43	企業管治
44	根據上市規則第13.21條作出披露
44	董事資料變動
44	購買、出售或贖回本公司之上市證券
44	審核委員會審閱中期報告

## CONTENTS

45	Board of Directors, Honourable Chairman and Committees
46	Corporate and Shareholders' Information
47	Chairman's Statement
50	Management Discussion and Analysis
57	Condensed Consolidated Income Statement
58	Condensed Consolidated Statement of Comprehensive Income
59	Condensed Consolidated Statement of Financial Position
61	Condensed Consolidated Statement of Changes in Equity
62	Condensed Consolidated Statement of Cash Flows
63	Notes to the Condensed Financial Statements
83	Others
83	Share Capital
83	Model Code for Securities Transactions
83	Directors' and Chief Executives' Interests in Securities
85	Substantial Shareholders' Interests in Securities
86	Corporate Governance
87	Disclosure Pursuant to Rule 13.21 of the Listing Rules
87	Changes in Directors' Information
87	Purchase, Sale or Redemption of the Company's Listed Securities
87	Review of Interim Report by Audit Committee

# BOARD OF DIRECTORS, HONOURABLE CHAIRMAN AND COMMITTEES

## HONOURABLE CHAIRMAN

Kong Qingping<sup>#</sup>

## CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Hao Jian Min

## EXECUTIVE DIRECTORS

Zhang Guiqing *Chief Executive Officer*  
Xiang Hong  
Wang Man Kwan, Paul  
Liu Jun

## 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\*  
Yung Kwok Kee, Billy  
Chung Shui Ming, Timpson  
Lo Yiu Ching, Dantes  
Zhang Guiqing

## NOMINATION COMMITTEE

Lo Yiu Ching, Dantes\*  
Chung Shui Ming, Timpson  
Lam Kin Fung, Jeffrey  
Zhang Guiqing

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

# CORPORATE AND SHAREHOLDERS' INFORMATION

## CORPORATE INFORMATION

### Registered Office

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

## COMPANY SECRETARY

Chong Wai Sang, Edmond

## REGISTRAR

Tricor Standard Limited  
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  
Wing Lung Bank Limited

## STOCK CODE

### Shares

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

## SHAREHOLDERS' INFORMATION

### Share Listing

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

### Ordinary Shares (as at 30 June 2016)

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

# CHAIRMAN'S STATEMENT

## INTRODUCTION

I am pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2016. The Group's unaudited consolidated profit attributable to owners of the Company for the first half of 2016 was HK\$630.0 million, representing an increase of 5.9% over the corresponding period last year.

In the first half of the year, sentiment of property market in China has improved but the operating environment as a whole was still challenging in view of the volatility of exchange rate of Renminbi ("RMB") and the unstable macroscopic economic environment. Facing the dynamic market environment, the Group stayed focus on consolidation of its businesses in the cities being operated and proactively adjusted its marketing strategies as well as launched more promotional campaigns to boost property sales. At the same time, the Group also kept on enhancing the quality of its projects in order to satisfy the customers' needs.

In addition, adhere firmly to its prudent investment principle, the Group has continued to closely monitor land purchase opportunities in the market and would acquire projects with reasonable returns for land bank replenishment and enhancement in order to lay a solid foundation for persisted growth. During the first half of the year, the Group did not acquire any land parcel. As at 30 June 2016, total land bank of the Group in China reached 9,537,900 sq.m. (attributable to the Group: 8,901,400 sq.m.).

## RESULTS

For the first half year ended 30 June 2016, contracted property sales of the Group was HK\$11,501.0 million (the corresponding period in 2015: HK\$10,075.0 million), a 14.2% increase comparing with the corresponding period last year, representing a saleable gross floor area of 1,374,400 sq.m. (the corresponding period in 2015: 1,072,300 sq.m.), an increase of 28.2% comparing with the same period last year. As at 30 June 2016, the balance of preliminary sales pending the completion of sales and purchase agreements was HK\$638.0 million (30 June 2015: HK\$2,056.0 million) for an aggregated area of 44,500 sq.m. (30 June 2015: 165,100 sq.m.).

Meanwhile, the Group attained a turnover of HK\$10,287.3 million (the corresponding period in 2015: HK\$7,278.5 million) for the period, representing an increase of 41.3% over the corresponding period last year. Profit attributable to owners of the Company for the period reached HK\$630.0 million (the corresponding period in 2015: HK\$595.0 million), 5.9% higher than the same period last year. Basic earnings per share was HK27.6 cents (the corresponding period in 2015: HK26.1 cents).

## CHAIRMAN'S STATEMENT *(continued)*

### INTERIM DIVIDEND

After reviewing the result performance for the period and the working capital requirement for the Group's future expansion of its business, the Board did not recommend the payment of an interim dividend for the period ended 30 June 2016 (the corresponding period in 2015: Nil).

### PROSPECTS

#### **The Economy**

Britain's vote to leave the European Union at the 23 June referendum not only has shocked the Eurozone economic system, but also has brought huge instability and uncertainties to the global economy, stock market and foreign exchange market. Although economy of the United States has continued to recover moderately in the first half of the year, its growth momentum and pace of interest rate hike are subject to scrutinize due to Brexit. Further, with Japan's economy remained sluggish, the risks to international financial market are on the rise while the development of global economy is still vague.

Amid the critical stage of industrial transformation and upgrading, the economy of China would fluctuate inevitably. Adhere to the general working guideline of making progress while maintaining stability, the Central Government keeps on implementing proactive fiscal policy and prudent monetary policy and unswervingly advances the supply-side structural reform to promote the sustainable and healthy development of the economy. Therefore, the economy of China still runs in a stable manner and achieves moderate but steady development in the complex global financial environment.

As the exchange rate of RMB getting more market oriented, RMB exchange rate would be affected by volatility of foreign exchange market. Nevertheless, the economic development of China would be benefited from the internationalization of the exchange rate of RMB in the long run.

#### **Real Estate Development**

Destocking has been the keynote of China's property market since last year. Though the operating environment varied among different cities, the market sentiment in general has become better and property sales has increased in the period. With the adoption of different policies in different cities as appropriate to their local conditions, despite of the implementation of tightened policies in the first tier cities and cities where the property markets are overheat, the macroscopic and credit policies remain less stringent. The measures launched such as reduction of the reserve rate, adjustment to down payment ratio of the first home mortgage (except in cities with home purchase restrictions) and offering of tax relief, would benefit the stable development of property market.

In light of the continual structural reforms, the transformation and upgrading of economy would drive the progress of urbanization which would lead to a healthy development of core demand in the property market and would effectively improve the stock position.



### PROSPECTS *(continued)*

#### Group Strategy

The Group continues to fully embrace the government's urbanization policy, with a firm commitment to become a high-growth star property developer of the highest potential in the residential property market in China. With a professional management, effective organization, good customer satisfaction and company goodwill, the Group would continue to focus on the emerging cities with best investment value and growth potentials, and positioning at the middle to high-end product ranges.

The Group consistently practices its prudent investment strategy and is dedicated to enlarge the operating scale and speed up the pace of development in an orderly manner, so as to raise the marginal cost efficiency and stock turnover rate. As at 30 June 2016, the Group held a land bank distributed in 13 cities with 24 on-going development projects.

The Group continues to build up and maintain a quality land bank at competitive prices in order to maximize shareholders' returns in long term. Moreover, for right property projects, the Group would explore to develop jointly with reliable business partners to expand its businesses and broaden its earnings base.

With standardized management systems, the Group would continue to streamline its operating processes, strengthen its internal controls and tighten cost controls. In spite of the challenging market condition, leveraged with more mature understanding of the operating environment and dynamics in the cities being developed, the enhanced management capabilities of the professional teams would be able to optimize the project development cycle and stock management as well as raise customers' satisfaction.

To cope with the ever-changing market environment, the Group would strive to improve quality of properties, evolve new marketing methodologies, speed up sales programs and raise the sell-through rate of the inventory. The Group is determined to extend its competitive edge and safeguard its leading position in the market.

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

### APPRECIATION

I would like to close by expressing my heartfelt thanks to my fellow directors and our committed staff for their dedication, hard work and contributions to the Group, and our shareholders and business partners for their continued confidence and support.

#### Hao Jian Min

*Chairman and Non-executive Director*

Hong Kong, 18 August 2016

# MANAGEMENT DISCUSSION AND ANALYSIS

## REVENUE AND OPERATING RESULTS

In the first half year, the sentiment of property market in China has improved. In response to the government's strategy of adoption of different policies in different cities as appropriate to their local conditions, the Group has continuously made various adjustments on the pace of development and launched more promotional campaigns in order to enhance the inventory turnover rate. With the additional sales effort, the revenue for the six months ended 30 June 2016 reached HK\$10,287.3 million, increased by 41.3% against the corresponding period last year. Gross profit for the period was HK\$1,862.3 million, 31.2% higher than the same period last year. Gross profit margin slightly decreased by 1.4% to 18.1%.

On 24 March 2016, the Group and China State Construction International Holdings Limited (the "CSC"), entered into a framework agreement that the Group appointed the CSC group to provide the construction supervision service for the property development projects of the Group in China. The service further ensures the smooth running on the property development projects with no significant impact on costing as a whole.

On the other hand, the reform program to replace business tax with a value-added tax for the real estate development industry has been effective from the first of May this year. Since majority of the revenue for the period was recognized from the sales prior to the effective of the new tax rules, the revenue and gross margin for the period did not fully reflect the impact of the reform. Nevertheless, under the existing operation situation of the Group, the new value-added tax rule is expected to have a positive impact on the gross margin of the property sales.

Due to the extended effective direct promotion and marketing activities to boost the property sales, distribution and selling expenses to contracted property sales for the period increased slightly by 0.2% to 2.3% against last corresponding period. Administrative expenses to revenue reduced slightly by 0.1% to 2.6% compared with the last corresponding period. The Group has exercised stringent controls over the overhead costs.

In relation to the fair value of the investment properties, no fair value adjustment is recognized for the period, same as the last corresponding period.

Due to the increased revenue and gross profit, operating profit amounted to HK\$1,393.8 million for the current period under review, a rise of 32.5% comparing with the same period last year.



## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### REVENUE AND OPERATING RESULTS *(continued)*

Total interest expense reduced to HK\$369.2 million from HK\$489.6 million of last corresponding period, mainly due to a mild decrease in the average interest rate of the bank loans and the drop of total averaged borrowings amounted to HK\$3.1 billion in the period. Finance costs slightly decreased to HK\$12.8 million from HK\$12.9 million of last corresponding period, after capitalization of HK\$356.4 million to the on-going development projects.

Income tax expenses comprised profit tax and land appreciation tax. The income tax expenses surged by HK\$338.9 million compared with the last corresponding period to HK\$741.1 million which was mainly due to increase in the land appreciation tax levied as driven by the profit recognition of a project in Beijing with higher profit margin during the period.

For the half year ended 30 June 2016, profit attributable to owners of the Company amounted to HK\$630.0 million (the corresponding period in 2015: HK\$595.0 million), an increase of 5.9% against last corresponding period.

### LAND BANK

With its prudent expansion strategy, the Group kept on closely monitoring the market situation and searched for suitable land pieces for development. 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 China with growth potential and best investment value.

The constructions of the Maple Palace project located in Beijing and the Chief Palace project located in Guilin are almost completed. As a result, total land bank of the Group available to build gross floor area is approximately 9,537,900 sq.m. in 13 cities in China as at 30 June 2016 (of which, 8,901,400 sq.m. are attributable to the Group, excluding interest attributable to non-controlling shareholders).

Moreover, in early August, the Group has confirmed with an independent third party to develop a piece of land with gross floor area of about 180,000 sq.m. in Shantou and owns 51% interest in this project.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### SEGMENT INFORMATION

#### Property Sales and Development

The Group continuously targets at boosting sales and improving the sales-through rate. During the six months ended 30 June 2016, contracted property sales amounted to HK\$11,501.0 million, for an aggregated area of 1,374,400 sq.m., representing an increase of 14.2% and 28.2% respectively against the same period last year. As at 30 June 2016, the balance of preliminary sales pending the completion of sales and purchase agreements was HK\$638.0 million (30 June 2015: HK\$2,056.0 million) for an aggregated area of 44,500 sq.m. (30 June 2015: 165,100 sq.m.).

Contracted property sales from major projects during the half year ended 30 June 2016:

City	Name of project	Saleable Gross Floor Area (sq.m.)	Amount (HK\$ Million)
Nanning	International Community/Royal Lakefront	193,696	1,495.6
Yangzhou	The Grand Canal/Imperial No. 9	129,372	1,236.1
Nantong	The Aqua/The Grove	151,269	1,130.3
Jilin	International Community	157,362	1,014.6
Yancheng	The Century/The Arch	140,238	1,012.8
Lanzhou	Glorioushire	113,834	1,011.8
Hohhot	The Azure/Dragon Cove	97,545	817.8
Changzhou	The Imperial/Dragon Bay/ The Phoenix	87,123	764.2
Yinchuan	International Community	111,543	713.6
Beijing	Maple Palace	6,086	500.6

As at 30 June 2016, construction works for 1,122,100 sq.m. were completed (the corresponding period in 2015: 1,130,000 sq.m.) and of which about 91% were sold out. Coupled with stock sales, recognized revenue was HK\$10,192.6 million (the corresponding period in 2015: HK\$7,125.3 million), an increase of 43.0% comparing with the same period last year. Same as the corresponding period last year, the revenue of the current period was mainly recognized from the sales of high-rise residential projects. Driven by extra effort to accelerate sales, the gross profit margin for the period though reduced comparing with the same period last year, the volume of property sales and handover increased during the period. Hence, the segment result was HK\$1,340.2 million (the corresponding period in 2015: HK\$975.2 million) for the period, 37.4% higher than the last corresponding period.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### SEGMENT INFORMATION *(continued)*

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

Recognized revenue from major projects during the half year ended 30 June 2016:

City	Name of project	Saleable Gross Floor Area (sq.m.)	Amount (HK\$ Million)
Hefei	The Lagoon	233,324	2,137.4
Beijing	Maple Palace	22,304	1,661.9
Ganzhou	International Community	173,464	1,228.7
Lanzhou	Glorioushire	155,882	1,098.7
Changzhou	The Imperial/The Phoenix/ Dragon Bay	97,336	789.2
Yinchuan	International Community	145,213	761.8
Yancheng	The Century	104,125	654.8
Nanning	International Community/Royal Lakefront	73,894	558.7
Yangzhou	Imperial No. 9/The Grand Canal	35,598	357.0
Jilin	International Community	47,531	308.4

In addition to the above, China Overseas Plaza at Lanzhou and La Cite (previously named as “Binhai New Town Project”) at Shantou had commenced the construction work during the period.

At period end, properties under construction and stock of completed properties amounted to 4,207,881 sq.m. and 864,467 sq.m. respectively, totaling 5,072,348 sq.m.. Properties of 1,726,934 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 2016, rental income amounted to HK\$94.7 million (the corresponding period in 2015: HK\$103.3 million), a drop of 8.3% comparing with the same period last year. This was due to a slight drop in average occupancy rate and also the RMB currency translation effect. The segment profit was HK\$78.4 million (the corresponding period in 2015: HK\$86.4 million). Comparing with the same period last year, the leasing business remained stable in general. Contribution from a joint venture rose to HK\$2.7 million (the corresponding period in 2015: 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 91% and 94% respectively. The Group fully owns the Beijing property while it owns 65% of the Shanghai project. On the other hand, to speed up the payback from investment, the Group continued the sales of China Overseas Building in Jilin in the form of sub-units.

### FINANCIAL RESOURCES AND LIQUIDITY

The Group has consistently adopted prudent financial management approach and its financial condition remained healthy. Having worked hard over the past few years, the Company and its subsidiaries have gained multiple accesses to funds from both investors and financial institutions in China and international market to meet its requirements in working capital, refinancing and project development. As at 30 June 2016, net working capital amounted to HK\$23,465.6 million (31 December 2015: HK\$23,725.4 million), with a quick ratio of 0.7 (31 December 2015: 0.6).

During the six months ended 30 June 2016, the Group secured new credit facilities of approximately HK\$4,875.5 million from leading financial institutions. After taking into account drawdowns of HK\$3,911.1 million, repayment of loans of HK\$5,327.0 million and decrease of HK\$40.4 million due to translation of RMB loan during the period, total borrowings (exclude the guaranteed notes payable of HK\$3,142.4 million) decreased by 9.4% to HK\$14,096.0 million as compared to the end of last year. At period end, interest of all bank borrowings was charged at floating rates with a weighted average of 3.1% per annum. About 74.8% of such borrowings is repayable beyond one year.

In respect of the Group's US\$400 million 5.125% guaranteed notes due 2019, the amortized cost payable amounted to HK\$3,142.4 million as at 30 June 2016.

Also, coupled with healthy sales achieved during the period, cash and bank balances plus restricted cash and deposits were at a total of HK\$14,474.4 million (31 December 2015: HK\$13,026.6 million), increased by 11.1% compared with the last financial year end. Of which, 99.6% is denominated in RMB while the remaining is mainly in Hong Kong 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 24.5% as at 30 June 2016 (31 December 2015: 50.7%). With a solid financial position, the management considers that the Group is ready for further expanding its operation scale under such net gearing ratio.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### FINANCIAL RESOURCES AND LIQUIDITY *(continued)*

Taking into consideration of the unutilized bank credit facilities available to the Group of HK\$2,591.8 million, the Group's total available funds (including restricted cash and deposits of HK\$2,506.0 million) reached HK\$17,066.2 million as at 30 June 2016.

In terms of capital management, the Group implements centralized financing and treasury policies to ensure efficient fund utilization. The operational and financial position of the Group remains healthy. The Group would ensure continual fulfillment of the financial covenants as agreed with different financial institutions and sufficient resources to satisfy its commitment and working capital needs. While the Group is ready for further expansion, it would still regularly re-evaluate its operational and investment status, monitor the financial market and explore opportunities to enter into appropriate long-term financing to improve its capital structure continuously. The Group would maintain its healthy cash flow and minimize its financial risks.

### FOREIGN EXCHANGE EXPOSURE

As the Group conducted its sales, receivables and payables, expenditures and part of the borrowings in RMB for its property development business in China, the management considered a natural hedge mechanism existed in that operations. However, as at 30 June 2016, about 10.0% and 90.0% of the Group's total borrowings (including the guaranteed notes) were denominated in RMB and Hong Kong Dollar/US Dollar respectively. Hence, take into account of the debt financing structure, the Group is subject to foreign exchange risk from the volatility of RMB exchange rate.

The exchange rate of RMB to Hong Kong Dollar fell by around 2.0% in the period and accordingly, the net asset value of the Group decreased by HK\$530.7 million which arose from currency translation.

During the period, the Group has not entered into any financial derivatives either for hedging or speculative purpose. The Group would continue to closely monitor the volatility of the RMB exchange rate. In consideration of the lower finance costs for borrowings in Hong Kong Dollar/US Dollar and the expectation of stable RMB exchange rate in the medium to long term, the management, after balancing the finance cost and risks, would continue to fine-tune the financing strategy gradually to optimize the ratio of RMB and Hong Kong Dollar/US Dollar debt at appropriate time to minimize the foreign exchange risk.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### COMMITMENTS AND GUARANTEE

As at 30 June 2016, the Group had other commitments totaling HK\$3,130.5 million which related mainly to property development and construction works. In addition, the Group issued guarantees to banks amounting to HK\$21,521.1 million (equivalent to RMB18,394.1 million) in aggregate, mainly for facilitating end-user mortgages in connection with its property sales in China 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 and motor vehicles.

On the other hand, all the secured bank borrowings were repaid during the period. Thus, the Group did not have any assets pledged at 30 June 2016.

### EMPLOYEES

As at 30 June 2016, the Group has 1,349 employees (31 December 2015: 1,343). The pay levels of these employees are commensurate with their responsibilities, performance and the prevailing market condition. Discretionary bonus was paid to employees based on individual performance. Different trainings and development opportunities continued to be offered to enhance employees' capabilities.



## CONDENSED CONSOLIDATED INCOME STATEMENT

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

	Notes	Six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
<b>Revenue</b>	4	<b>10,287,267</b>	7,278,508
Cost of sales and services provided		<b>(8,424,971)</b>	(5,858,923)
Gross profit		<b>1,862,296</b>	1,419,585
Other income	6	<b>56,163</b>	41,885
Distribution and selling expenses		<b>(260,243)</b>	(209,807)
Administrative expenses		<b>(263,709)</b>	(196,271)
Other operating expenses		<b>(746)</b>	(434)
Other (losses)/gains			
Loss on redemption of convertible bonds	16	–	(5,962)
Gain on disposal of subsidiaries	19	–	2,874
<b>Operating profit</b>		<b>1,393,761</b>	1,051,870
Finance costs	7	<b>(12,820)</b>	(12,945)
Share of results of joint ventures		<b>2,505</b>	2,143
<b>Profit before income tax</b>	8	<b>1,383,446</b>	1,041,068
Income tax expense	9	<b>(741,100)</b>	(402,215)
<b>Profit for the period</b>		<b>642,346</b>	638,853
<b>Profit for the period attributable to:</b>			
Owners of the Company		<b>630,003</b>	595,038
Non-controlling interests		<b>12,343</b>	43,815
		<b>642,346</b>	638,853
		<b>HK Cents</b>	HK Cents
<b>Earnings per share</b>	11		
Basic		<b>27.6</b>	26.1
Diluted		<b>27.6</b>	24.9

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
<b>Profit for the period</b>		<b>642,346</b>	638,853
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences arising from translation of overseas operations			
— subsidiaries		<b>(526,300)</b>	3,433
— joint ventures		<b>(4,371)</b>	45
Release of translation reserve upon disposal of subsidiaries	19	–	(2,836)
<b>Other comprehensive income for the period, net of tax</b>		<b>(530,671)</b>	642
<b>Total comprehensive income for the period</b>		<b>111,675</b>	639,495
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>110,007</b>	595,343
Non-controlling interests		<b>1,668</b>	44,152
		<b>111,675</b>	639,495

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Notes	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
<b>Non-current assets</b>		
	<b>2,799,108</b>	2,855,569
Investment properties		
Property, plant and equipment	12 <b>28,765</b>	34,181
Prepaid lease rental on land	<b>4,554</b>	4,730
Intangible assets	<b>14,743</b>	17,354
Interests in joint ventures	<b>258,314</b>	100,784
Deferred tax assets	<b>169,941</b>	147,479
	<b>3,275,425</b>	3,160,097
<b>Current assets</b>		
	<b>30,706,490</b>	34,475,481
Inventories of properties		
Trade and other receivables, prepayments and deposits	13 <b>2,925,585</b>	4,403,865
Prepaid lease rental on land	<b>165</b>	168
Amounts due from non-controlling interests	<b>177,778</b>	140,781
Tax prepaid	<b>807,450</b>	589,609
Restricted cash and deposits	<b>2,506,026</b>	3,323,705
Cash and bank balances	<b>11,968,354</b>	9,702,914
	<b>49,091,848</b>	52,636,523
<b>Current liabilities</b>		
	<b>7,501,065</b>	8,341,624
Trade and other payables	14 <b>12,655,299</b>	13,933,973
Sales deposits received	<b>755,473</b>	770,711
Amounts due to non-controlling interests	<b>1,158,882</b>	946,143
Taxation liabilities	<b>3,555,540</b>	4,918,627
Borrowings	15 <b>25,626,259</b>	28,911,078
	<b>23,465,589</b>	23,725,445
<b>Net current assets</b>		
	<b>26,741,014</b>	26,885,542
<b>Total assets less current liabilities</b>		

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

	<i>Notes</i>	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
<b>Non-current liabilities</b>			
Borrowings	15	<b>10,540,430</b>	10,633,642
Guaranteed notes payable	17	<b>3,142,447</b>	3,138,399
Deferred tax liabilities		<b>1,136,625</b>	1,303,664
		<b>14,819,502</b>	15,075,705
<b>Net assets</b>		<b>11,921,512</b>	11,809,837
<b>Capital and reserves</b>			
Share capital	18	<b>2,144,018</b>	2,144,018
Reserves		<b>9,138,740</b>	9,028,733
Equity attributable to owners of the Company		<b>11,282,758</b>	11,172,751
Non-controlling interests		<b>638,754</b>	637,086
<b>Total equity</b>		<b>11,921,512</b>	11,809,837

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## Attributable to owners of the Company

	Convertible bonds		Assets			Retained profits	Total	Non-controlling interests	Total equity
	Share Capital	equity reserve	Translation reserve	revaluation reserve	Statutory reserve				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015 (Audited)	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	-	-	-	-	-	(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
<b>At 1 January 2016 (Unaudited)</b>	<b>2,144,018</b>	<b>-</b>	<b>(774,496)</b>	<b>31,749</b>	<b>817,466</b>	<b>8,954,014</b>	<b>11,172,751</b>	<b>637,086</b>	<b>11,809,837</b>
Net profit for the period	-	-	-	-	-	630,003	630,003	12,343	642,346
Other comprehensive income for the period	-	-	(519,996)	-	-	-	(519,996)	(10,675)	(530,671)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(519,996)</b>	<b>-</b>	<b>-</b>	<b>630,003</b>	<b>110,007</b>	<b>1,668</b>	<b>111,675</b>
<b>At 30 June 2016 (Unaudited)</b>	<b>2,144,018</b>	<b>-</b>	<b>(1,294,492)</b>	<b>31,749</b>	<b>817,466</b>	<b>9,584,017</b>	<b>11,282,758</b>	<b>638,754</b>	<b>11,921,512</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
<b>Net cash from/(used in) operating activities</b>		<b>4,394,047</b>	(1,083,554)
<b>Investing activities</b>			
Interest received		<b>48,002</b>	34,211
Purchase of property, plant and equipment	12	<b>(1,079)</b>	(1,072)
Capital contribution to a joint venture		<b>(159,396)</b>	–
Proceeds from disposal of subsidiaries	19	–	33,626
Proceeds from disposal of property, plant and equipment		<b>2,807</b>	–
Increase in short-term time deposits with maturity beyond three months but within one year		<b>(594,554)</b>	(210)
<b>Net cash (used in)/from investing activities</b>		<b>(704,220)</b>	66,555
<b>Financing activities</b>			
Decrease in amounts due to non-controlling interests		–	(159,427)
New bank borrowings	15	<b>3,911,141</b>	4,595,915
Repayment of bank borrowings	15	<b>(5,327,023)</b>	(1,568,195)
Redemption of convertible bonds	16	–	(2,200,000)
Finance costs paid		<b>(365,011)</b>	(443,531)
Dividends paid to non-controlling interests		–	(11,388)
<b>Net cash (used in)/from financing activities</b>		<b>(1,780,893)</b>	213,374
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,908,934</b>	(803,625)
<b>Cash and cash equivalents at the beginning of period*</b>		<b>9,689,637</b>	8,811,605
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>(228,432)</b>	22
<b>Cash and cash equivalents at the end of period</b>		<b>11,370,139</b>	8,008,002
<b>Analysis of balances of cash and cash equivalents:</b>			
Cash and bank balances as stated in the condensed consolidated statement of financial position		<b>11,968,354</b>	8,021,894
Less: Short-term time deposits with maturity beyond three months but within one year		<b>(598,215)</b>	(13,892)
<b>Cash and cash equivalents at the end of period</b>		<b>11,370,139</b>	8,008,002

\* Cash and bank balances as stated in the condensed consolidated statement of financial position as at 31 December 2015 included short-term time deposits with maturity beyond three months but within one year in amount of HK\$13,277,000.



# 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, Hohhot, Jilin, Lanzhou, Nanning, Nantong, Yancheng and Yangzhou.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2016 (the “Interim Financial Statements”) have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “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 2015.

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

The financial information relating to the year ended 31 December 2015 that is included in this half-year interim report 2016 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

### 1. GENERAL INFORMATION *(continued)*

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Companies Ordinance.

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 2016.

### 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 2015, 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 new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company:

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortization
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

The application of the above new or 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 2016 and have not been early adopted by the Group:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
HKFRS 9 (2014)	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>

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

<sup>2</sup> Effective date to be determined

The Group has not applied any new or revised standards 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. Revenue from the Group's principal activities recognized during the period is as follows:

	<b>Six months ended 30 June</b>	
	<b>2016 (Unaudited) HK\$'000</b>	2015 (Unaudited) HK\$'000
Sales of properties	<b>10,192,576</b>	7,125,348
Property rental income	<b>94,691</b>	103,298
Property management fee income	–	49,862
<b>Total revenue</b>	<b>10,287,267</b>	7,278,508

### 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 two reportable segments and other segment for its operating segments:

Property investment and development	—	This segment constructs residential and commercial properties in the PRC. Part of the business is carried out through a joint venture.
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 estates in the PRC and generates management fee income. During the year ended 31 December 2015, the Company disposed of its entire equity interest in those companies principally engaged in the provision of property management services. Thus, no financial information of this segment was reported in the current period. Further details of the disposal are set out in note 19.

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 (including finance cost) 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.

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

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

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.

Information regarding the Group's reportable segments including the reportable segment revenue, reportable segment profit, 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	Consolidated HK\$'000
<b>Six months ended 30 June 2016 (Unaudited)</b>			
Reportable segment revenue	10,192,576	94,691	10,287,267
Reportable segment profit	1,340,159	78,410	1,418,569
Corporate income			1,852
Finance costs			(12,820)
Other corporate expenses			(24,155)
Profit before income tax			1,383,446
<b>As at 30 June 2016 (Unaudited)</b>			
Reportable segment assets	48,266,337	3,066,853	51,333,190
Tax assets			977,391
Corporate assets ^			56,692
Total consolidated assets			52,367,273
<b>As at 30 June 2016 (Unaudited)</b>			
Reportable segment liabilities	20,785,708	89,503	20,875,211
Tax liabilities			2,295,507
Borrowings			14,095,970
Guaranteed notes payable			3,142,447
Corporate liabilities			36,626
Total consolidated liabilities			40,445,761

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

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

	Property investment and development <i>HK\$'000</i>	Property leasing <i>HK\$'000</i>	Other segment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
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
Finance costs				(12,945)
Other corporate expenses				(22,065)
Profit before income tax				1,041,068
As at 31 December 2015 (Audited)				
Reportable segment assets	51,382,040	3,083,657	–	54,465,697
Tax assets				737,088
Corporate assets <sup>^</sup>				593,835
Total consolidated assets				55,796,620
As at 31 December 2015 (Audited)				
Reportable segment liabilities	22,887,156	102,027	–	22,989,183
Tax liabilities				2,249,807
Borrowings				15,552,269
Guaranteed notes payable				3,138,399
Corporate liabilities				57,125
Total consolidated liabilities				43,986,783

<sup>^</sup> Corporate assets as at 30 June 2016 included cash and bank balances amounting to HK\$53,322,000 (31 December 2015: HK\$482,706,000) which were managed on group basis.



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

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

Certain comparative figures in the segment information for the six months ended 30 June 2015 have been reclassified. Previously, finance costs were included in corporate expenses for segment reporting purposes. For the six months ended 30 June 2016, finance costs are reclassified and presented separately in the reconciliation of reportable segment results to profit before income tax for better presentation.

### 6. OTHER INCOME

	<b>Six months ended 30 June</b>	
	<b>2016</b> <b>(Unaudited)</b> <i>HK\$'000</i>	2015 (Unaudited) <i>HK\$'000</i>
Total interest income on financial assets not at fair value through profit or loss:		
Bank deposits	<b>48,002</b>	34,211
Sundry income	<b>8,161</b>	7,674
	<b>56,163</b>	41,885

### 7. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2016</b> <b>(Unaudited)</b> <i>HK\$'000</i>	2015 (Unaudited) <i>HK\$'000</i>
Interests on bank borrowings and guaranteed notes payable	<b>369,232</b>	453,603
Imputed interest expense on convertible bonds <i>(note 16)</i>	–	35,991
Total interest expense on financial liabilities not at fair value through profit or loss	<b>369,232</b>	489,594
Less: Amount capitalized	<b>(356,412)</b>	(476,649)
	<b>12,820</b>	12,945

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

### 8. PROFIT BEFORE INCOME TAX

	<b>Six months ended 30 June</b>	
	<b>2016</b> <b>(Unaudited)</b> <i>HK\$'000</i>	2015 (Unaudited) <i>HK\$'000</i>
Profit before income tax is arrived at after charging/(crediting):		
Amortization:		
Prepaid lease rental on land	<b>84</b>	89
Intangible assets #	<b>2,304</b>	2,453
Depreciation of property, plant and equipment	<b>4,784</b>	6,207
Total amortization and depreciation	<b>7,172</b>	8,749
Gain on disposal of property, plant and equipment	<b>(1,605)</b>	–
Staff costs	<b>205,503</b>	155,806
Net foreign exchange loss/(gain) *	<b>6,258</b>	(2,554)

# 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

	<b>Six months ended 30 June</b>	
	<b>2016</b> <b>(Unaudited)</b> <i>HK\$'000</i>	2015 (Unaudited) <i>HK\$'000</i>
Current tax for the period		
Other regions of the PRC		
— Enterprise income tax ("EIT")	<b>462,015</b>	218,991
— Land appreciation tax ("LAT")	<b>447,403</b>	130,313
	<b>909,418</b>	349,304
Over provision in prior years		
Other regions of the PRC	–	(2,523)
Deferred tax	<b>(168,318)</b>	55,434
	<b>741,100</b>	402,215

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

### 9. INCOME TAX EXPENSE (continued)

For the six months ended 30 June 2016, 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 2015: Nil).

EIT arising from other regions of the PRC is calculated at 25% (six months ended 30 June 2015: 25%) on the estimated assessable profits.

PRC LAT is levied at progressive rates from 30% to 60% (six months ended 30 June 2015: 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 2016 (six months ended 30 June 2015: Nil).

### 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	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Earnings used in calculating basic earnings per share	630,003	595,038
Adjustment to the profit of the Group attributable to imputed interest on convertible bonds <i>(Note)</i>	–	1,382
Earnings used in calculating diluted earnings per share	630,003	596,420

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

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

#### Weighted average number of ordinary shares

	Six months ended 30 June	
	2016 (Unaudited) '000	2015 (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 <i>(Note)</i>	–	116,396
Weighted average number of ordinary shares used in calculating diluted earnings per share	2,282,240	2,398,636

Note: On 21 March 2015, the Company, on behalf of its wholly-owned subsidiary, has redeemed all convertible bonds. Accordingly, for the six months ended 30 June 2016, basic and diluted earnings per share are the same as the Company did not have any dilutive equity instruments throughout the period.

### 12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group incurred capital expenditure of approximately HK\$544,000 (six months ended 30 June 2015: HK\$1,072,000) in furniture, fixtures and office equipment and approximately HK\$535,000 (six months ended 30 June 2015: Nil) in motor vehicles.

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

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Trade receivables	95,753	623,997
Less: Impairment of trade receivables	–	–
Trade receivables, net	95,753	623,997
Other receivables	597,957	607,206
Prepayments and deposits	2,231,875	3,172,662
	2,925,585	4,403,865

## 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:

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
30 days or below	<b>1,571</b>	570,605
31–60 days	<b>462</b>	3,432
61–90 days	<b>3,205</b>	7,421
91–180 days	<b>16,695</b>	8,028
181–360 days	<b>70,641</b>	15,964
Over 360 days	<b>3,179</b>	18,547
	<b>95,753</b>	623,997

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

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
Trade payables	<b>6,786,474</b>	7,588,088
Other payables and accruals	<b>611,081</b>	672,373
Deposits received	<b>103,510</b>	81,163
	<b>7,501,065</b>	8,341,624

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

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
30 days or below	<b>3,331,993</b>	4,005,546
31–60 days	<b>105,262</b>	194,599
61–90 days	<b>114,587</b>	87,419
91–180 days	<b>397,881</b>	494,174
181–360 days	<b>1,754,655</b>	1,104,039
Over 360 days	<b>1,082,096</b>	1,702,311
	<b>6,786,474</b>	7,588,088



# NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

## 15. BORROWINGS

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
<b>Current</b>		
Bank borrowings	<b>3,555,540</b>	4,918,627
<b>Non-current</b>		
Bank borrowings	<b>10,540,430</b>	10,633,642
	<b>14,095,970</b>	15,552,269

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
Analysis into:		
Bank borrowings		
Secured <i>(note 20)</i>	–	179,040
Unsecured	<b>14,095,970</b>	15,373,229
	<b>14,095,970</b>	15,552,269

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

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
Carrying amount at the beginning of the period/year	<b>15,552,269</b>	15,597,390
Translation adjustment	<b>(40,417)</b>	(233,845)
New bank borrowings raised	<b>3,911,141</b>	6,311,060
Repayment of bank borrowings	<b>(5,327,023)</b>	(6,122,336)
Carrying amount at the end of the period/year	<b>14,095,970</b>	15,552,269

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

### 15. BORROWINGS *(continued)*

The bank borrowings were scheduled for repayment as follows:

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
On demand or within one year	<b>3,555,540</b>	4,918,627
More than one year, but not exceeding two years	<b>3,923,470</b>	2,299,316
More than two years, but not exceeding five years	<b>6,616,960</b>	8,334,326
	<b>14,095,970</b>	15,552,269

The bank borrowings as at 30 June 2016 have been arranged at annual floating rates from 2.22% to 5.37% (31 December 2015: 2.49% to 6.83%).

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

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
HK\$	<b>10,743,890</b>	10,793,890
Renminbi ("RMB")	<b>1,724,580</b>	3,130,879
United States Dollars	<b>1,627,500</b>	1,627,500
	<b>14,095,970</b>	15,552,269

### 16. CONVERTIBLE BONDS

The Company, on behalf of its wholly-owned subsidiary, has redeemed all outstanding convertible bonds on 21 March 2015. The total redemption money was HK\$2,200,000,000, being the 100% of the 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.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

### 17. GUARANTEED NOTES PAYABLE

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

	<i>HK\$'000</i>
Carrying amount as at 1 January 2015 (Audited)	3,128,825
Imputed interest expense (Audited)	168,449
Finance costs paid (Audited)	(158,875)
Carrying amount as at 31 December 2015 (Audited) and 1 January 2016 (Unaudited)	<b>3,138,399</b>
Imputed interest expense (Unaudited)	<b>83,485</b>
Finance costs paid (Unaudited)	<b>(79,437)</b>
<b>Carrying amount as at 30 June 2016 (Unaudited)</b>	<b>3,142,447</b>

### 18. SHARE CAPITAL

	Number of ordinary shares '000	<i>HK\$'000</i>
<b>Issued and fully paid</b>		
<b>Balance at 1 January 2015 (Audited), 31 December 2015 (Audited), 1 January 2016 (Unaudited) and 30 June 2016 (Unaudited)</b>	<b>2,282,240</b>	<b>2,144,018</b>

## 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:

	(Audited) 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:

	(Audited) 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 disposal of the COGOPM Group is calculated as follows:

	(Audited) 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.

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(a)) of the Group following the completion of the disposal.

\* English translation is for identification only.

### 20. PLEDGE OF ASSETS

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

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Inventories of properties	–	390,640

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

### 21. COMMITMENTS

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

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
Contracted for but not provided for in the financial statements:		
— Investment in equity interests	<b>193,407</b>	295,416
— Acquisition of land	<b>452,908</b>	1,801,178
— Property development	<b>2,484,207</b>	1,937,071
Authorized but not contracted for:		
— Acquisition of land	–	188,100

### 22. GUARANTEES

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

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
Guarantees given to:		
Bank and government agencies for mortgage loans granted to certain purchasers of the Group's properties	<b>21,521,082</b>	18,742,760

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 represent 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 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 2016, total management fees paid/payable by the Group to the COPH Group amounted to approximately RMB13,659,000 (six months ended 30 June 2015: RMB1,050,000), equivalent to approximately HK\$16,237,000 (six months ended 30 June 2015: HK\$1,329,000).

- (b) On 24 March 2016, the Company and China States Construction International Holdings Limited (the “CSC”) entered into a framework agreement, pursuant to which the Group agreed to engage CSC and its subsidiaries (the “CSC Group”) as construction supervisor and the CSC Group agreed to provide the construction supervision service for the property development projects of the Group in the PRC. The framework agreement has a term of three years commencing from 1 April 2016 and ending on 31 March 2019 (both days inclusive). China Overseas Holdings Limited is the controlling shareholder of both the Company and CSC.

The fee payable for construction supervision service by the Group to the CSC Group for the period from 1 April 2016 to 31 December 2016, each of the two years ending 31 December 2018 and the period from 1 January 2019 to 31 March 2019 shall not exceed RMB110,000,000, RMB136,000,000, RMB191,000,000 and RMB65,000,000 respectively.

Further details regarding the transaction of construction supervision service have been set out in the announcement of the Company dated 24 March 2016.

During the six months ended 30 June 2016, total service fee paid/payable by the Group to CSC Group amounted to approximately RMB880,000, equivalent to approximately HK\$1,046,000.



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

### 23. RELATED PARTY TRANSACTIONS *(continued)*

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

	<b>Six months ended 30 June</b>	
	<b>2016 (Unaudited) HK\$'000</b>	<b>2015 (Unaudited) HK\$'000</b>
<b>Nature of transactions</b>		
<b>COLI and its subsidiaries</b>		
Royalty expenses	<b>102,923</b>	72,341
Rental income	<b>8,323</b>	8,860
<b>Key management (including directors)</b>		
Remuneration	<b>4,603</b>	5,090

### 24. FAIR VALUE MEASUREMENT

#### (a) Financial instruments

As at 30 June 2016 and 31 December 2015, the Group did not have any financial instruments measured at fair value 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 2016 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 2016, there were no transfers among level 1, level 2 and level 3 in the fair value hierarchy.

## OTHERS

### SHARE CAPITAL

The Company's total number of shares in issue as at 30 June 2016 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 2016.

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2016, the directors and the chief executives of the Company had the following interests in the shares, underlying shares and debentures 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, underlying shares and debentures 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 2016, any interest in, or had been granted any right to subscribe for the shares and options and debentures 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 2016 (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 2016, 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%

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 2016.

## OTHERS *(continued)*

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

Notes:

1. The percentage is based on the total number of shares of the Company in issue as at 30 June 2016 (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 commitment 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 2016.

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.

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 23 May 2016. However, all other independent non-executive directors were present thereat to be available to answer any question to ensure effective communication with shareholders of the Company.

### DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

On 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.

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 2015 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"> <li>Appointed as Pro-Chancellor of the City University of Hong Kong</li> <li>Ceased as independent non-executive director of Henderson Land Development Company Limited</li> </ul>
Mr. Lam Kin Fung, Jeffrey	<ul style="list-style-type: none"> <li>Appointed as director of Hong Kong Mortgage Corporation Limited (HKMC)</li> </ul>

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

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 2016.

### 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 2016, and discussed with the Company’s management regarding auditing, internal control and other important matters.

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