



中國海外發展有限公司  
CHINA OVERSEAS LAND & INVESTMENT LTD.

Stock Code 股份代號：00688



# A Trusted Brand

Growing Through Diligence and Care

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精耕細作 品牌經營

Interim Report **2016** 中期報告

# 目錄

2	公司業務架構
3	財務摘要
4	董事局及委員會
5	公司資料
6	股東資料及財務日程表
8	主席報告書
13	管理層討論與分析
21	簡明綜合收益表
22	簡明綜合全面收益表
23	簡明綜合財務狀況表
25	簡明綜合權益變動表
27	簡明綜合現金流量表
29	財務報表附註
44	其他
44	中期股息
44	暫停辦理股份過戶登記
44	股本
44	購買、出售或贖回本公司之上市證券
45	董事及行政總裁之證券權益
47	主要股東之證券權益
48	企業管治
51	董事進行證券交易的標準守則
52	董事資料變動
52	審核委員會審閱中期報告

# Contents

53	Corporate Structure
54	Financial Highlights
55	Board of Directors and Committees
56	Corporate Information
57	Shareholders' Information and Financial Calendar
59	Chairman's Statement
64	Management Discussion & Analysis
72	Condensed Consolidated Income Statement
73	Condensed Consolidated Statement of Comprehensive Income
74	Condensed Consolidated Statement of Financial Position
76	Condensed Consolidated Statement of Changes in Equity
78	Condensed Consolidated Statement of Cash Flows
80	Notes to the Financial Statements
95	Others
95	Interim Dividend
95	Closure of Register of Members
95	Share Capital
95	Purchase, Sale or Redemption of the Company's Listed Securities
96	Directors' and Chief Executive's Interests in Securities
98	Substantial Shareholders' Interests in Securities
99	Corporate Governance
102	Model Code for Securities Transactions by Directors
103	Changes in Directors' Information
103	Review of Interim Report by Audit Committee



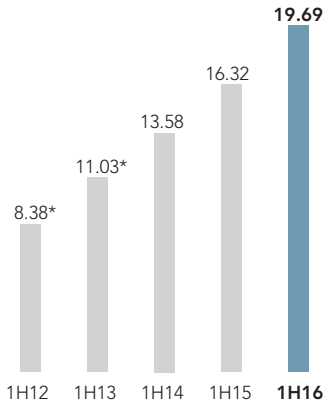
\* Property development in 49 major cities in mainland China, including Beijing, Shanghai, Shenzhen, Guangzhou, Hangzhou, Shenyang, Changchun, Changsha, Chengdu, Chongqing, Dalian, Foshan, Fuzhou, Haikou, Harbin, Jinan, Kunming, Nanchang, Nanjing, Ningbo, Suzhou, Qingdao, Taiyuan, Tianjin, Urumqi, Weifang, Wuhan, Wuxi, Xi'an, Xiamen, Yantai, Zhengzhou, Zhongshan, Zhuhai, Zibo, Changzhou<sup>#</sup>, Guilin<sup>#</sup>, Ganzhou<sup>#</sup>, Jilin<sup>#</sup>, Hefei<sup>#</sup>, Hohhot<sup>#</sup>, Lanzhou<sup>#</sup>, Nanning<sup>#</sup>, Nantong<sup>#</sup>, Shantou<sup>#</sup>, Shaoxing<sup>#</sup>, Yancheng<sup>#</sup>, Yangzhou<sup>#</sup>, Yinchuan<sup>#</sup> as well as in Hong Kong and Macau.

<sup>#</sup> The cities where China Overseas Grand Oceans Group Limited ("COGO") has operations; COGO also has projects in Beijing.

## Financial Highlights

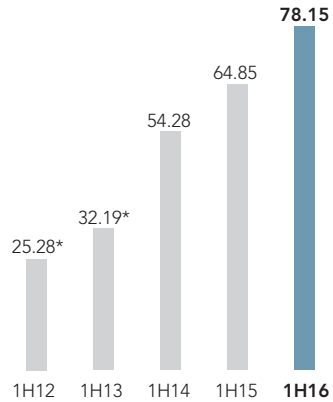
### Profit Attributable to Equity Shareholders

HK\$ billion



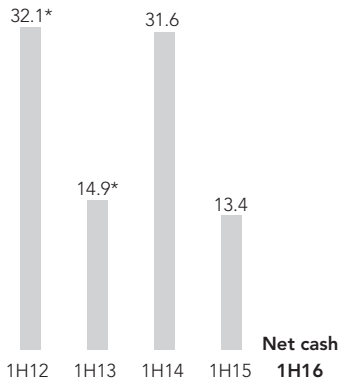
### Revenue

HK\$ billion



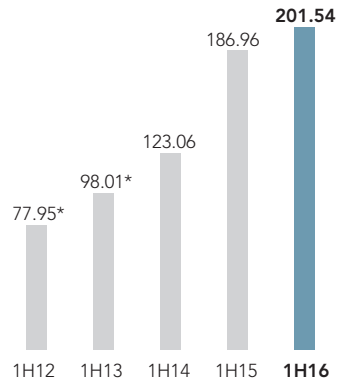
### Net Debt to Shareholders' Funds

%



### Shareholders' Funds

HK\$ billion



\* 1H12 and 1H13 figures have not taken into account the impact of the acquisition of properties from China State Construction Engineering Corporation Limited in May 2015.

## Board of Directors and Committees

### Executive Directors

Hao Jian Min *Chairman and  
Chief Executive Officer*

Xiao Xiao *Vice Chairman*

Luo Liang

Nip Yun Wing

### Non-Executive Director

Zheng Xuexuan

### Independent Non-Executive Directors

Lam Kwong Siu

Fan Hsu Lai Tai, Rita

Li Man Bun, Brian David

### Authorised Representatives

Hao Jian Min

Xiao Xiao

Nip Yun Wing (*Alternate authorised  
representative to  
Hao Jian Min and  
Xiao Xiao*)

### Audit Committee

Li Man Bun, Brian David\*

Lam Kwong Siu

Fan Hsu Lai Tai, Rita

### Remuneration Committee

Lam Kwong Siu\*

Fan Hsu Lai Tai, Rita

Li Man Bun, Brian David

### Nomination Committee

Fan Hsu Lai Tai, Rita\*

Lam Kwong Siu

Li Man Bun, Brian David

\* *Committee Chairman*

## Corporate Information

### Registered Office

10/F., Three Pacific Place  
1 Queen's Road East, Hong Kong  
Telephone : (852) 2823 7888  
Facsimile : (852) 2865 5939  
Website : www.coli.com.hk

### Company Secretary

Keith Cheung, Solicitor

### Registrar and Transfer Office

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

### Investor Relations

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

### Public Relations

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

### Legal Advisor

Mayer Brown JSM

### Independent Auditor

PricewaterhouseCoopers  
*Certified Public Accountants*

### Principal Bankers

*(In Alphabetical Order)*

Agricultural Bank of China Limited  
Agricultural Bank of China Limited  
Hong Kong Branch  
Bank of China Limited  
Bank of China (Hong Kong) Limited  
Bank of Communications Co., Ltd.  
Hong Kong Branch  
The Bank of East Asia, Limited  
China Construction Bank Corporation  
China Construction Bank (Asia)  
Corporation Limited  
China Merchants Bank Hong Kong Branch  
DBS Bank Ltd., Hong Kong Branch  
Hang Seng Bank Limited  
The Hongkong and Shanghai  
Banking Corporation Limited  
Industrial and Commercial Bank of  
China Ltd.  
Industrial and Commercial Bank of  
China (Asia) Ltd.  
Oversea-Chinese Banking  
Corporation Limited  
OCBC Wing Hang Bank Limited  
Shanghai Pudong Development Bank  
Co., Ltd.,  
Hong Kong Branch  
Sumitomo Mitsui Banking Corporation  
United Overseas Bank Limited

## Shareholders' Information and Financial Calendar

### Listing

The Company's shares are listed on The Stock Exchange of Hong Kong Limited ("SEHK") and certain notes issued by the Company's subsidiaries are listed in SEHK and/or other stock exchange.

### Stock Code

#### Shares

SEHK : 00688  
 Bloomberg : 688:HK  
 Reuters : 0688.HK

#### Notes

##### in USD

	SEHK	Bloomberg	Reuters
Note 1:	China OVS N2011 Code: 4503	EI4567265	XS0508012092
Note 2:	China OVS N1702 Code: 4533	EJ0197768	XS0745169044
Note 3:	China OVS N2211 Code: 4579	EJ4365304	XS0852986156
Note 4:	China OVS N4211 Code: 4580	EJ4365403	XS0852986313
Note 5:	China OVS N1810 Code: 5987	EJ9002563	XS0984184316
Note 6:	China OVS N2310 Code: 5988	EJ9002621	XS0972980097
Note 7:	China OVS N4310 Code: 5989	EJ9002803	XS0985567881
Note 8:	China OVS N1905 Code: 5745	EK2478924	XS1063561143
Note 9:	China OVS N2405 Code: 5746	EK2478981	XS1063561499
Note 10:	China OVS N3406 Code: 5760	EK3172450	XS1075180379

##### in Euro

	ISE	SEHK	Bloomberg	Reuters
Note 11:	BYM68V0	CN OVS LD N1907	AF2041693	XS1236611684
		Code: 5541		

##### in RMB

	SSE
Note 12:	15 中海 01 Code: 136046
Note 13:	15 中海 02 Code: 136049

##### Remarks:

- Note 1: US\$1,000,000,000 5.50 per cent. Guaranteed Notes due November 2020 issued by China Overseas Finance (Cayman) II Limited, a wholly owned subsidiary of the Company.
- Note 2: US\$750,000,000 4.875 per cent. Guaranteed Notes due February 2017 issued by China Overseas Finance (Cayman) IV Limited, a wholly owned subsidiary of the Company.
- Note 3: US\$700,000,000 3.95 per cent. Guaranteed Notes due November 2022 issued by China Overseas Finance (Cayman) V Limited, a wholly owned subsidiary of the Company.
- Note 4: US\$300,000,000 5.35 per cent. Guaranteed Notes due November 2042 issued by China Overseas Finance (Cayman) V Limited, a wholly owned subsidiary of the Company.
- Note 5: US\$500,000,000 3.375 per cent. Guaranteed Notes due October 2018 issued by China Overseas Finance (Cayman) III Limited, a wholly owned subsidiary of the Company.
- Note 6: US\$500,000,000 5.375 per cent. Guaranteed Notes due October 2023 issued by China Overseas Finance (Cayman) III Limited, a wholly owned subsidiary of the Company.

## Shareholders' Information and Financial Calendar (Continued)

### Stock Code (Continued)

#### Notes (Continued)

Remarks: (Continued)

Note 7: US\$500,000,000 6.375 per cent. Guaranteed Notes due October 2043 issued by China Overseas Finance (Cayman) III Limited, a wholly owned subsidiary of the Company.

Note 8: U.S.\$800,000,000 4.25 per cent. Guaranteed Notes due May 2019 issued by China Overseas Finance (Cayman) VI Limited, a wholly owned subsidiary of the Company.

Note 9: U.S.\$700,000,000 5.95 per cent. Guaranteed Notes due May 2024 issued by China Overseas Finance (Cayman) VI Limited, a wholly owned subsidiary of the Company.

Note 10: U.S.\$500,000,000 6.45 per cent. Guaranteed Notes due June 2034 issued by China Overseas Finance (Cayman) VI Limited, a wholly owned subsidiary of the Company.

Note 11: EUR600,000,000 1.75 per cent. Guaranteed Notes due July 2019 by China Overseas Land International (Cayman) Limited, a wholly owned subsidiary of the Company.

Note 12: RMB7,000,000,000 3.40 per cent. Notes due November 2021 issued by China Overseas Property Group Co., Ltd., a wholly owned subsidiary of the Company.

Note 13: RMB1,000,000,000 3.85 per cent. Notes due November 2022 issued by China Overseas Property Group Co., Ltd., a wholly owned subsidiary of the Company.

### Financial Calendar

Interim results : 22 August 2016

announcement

Share register closed : 20 September 2016

Interim dividend paid : 5 October 2016



### BUSINESS REVIEW

The world economy remained complicated and fast-changing amid sluggish economic growth in the first half of 2016. In the United States, recovery in the economy and in employment levels were both below expectations; in the Eurozone and in Japan, further easing measures had little effect on economic growth; and in emerging markets, economic downside risks lingered while capital outflows and currency devaluation persisted.

During the first half of the year, amid an unsatisfactory economic environment abroad, China's exports continued to slow while capital investment and domestic consumption remained weak. As a result of the launch of growth-stabilising policies by the Chinese Government, the proportion of GDP from the service sector continued to increase while first-half GDP growth in China fell to 6.7%, but remained in line with the target for the whole year.

In response to the slowing economy, China continued to implement monetary easing during the first half of the year. Through various measures, the Central Government injected more liquidity into the market. As a result of regulatory easing, property market sentiment and inventory levels both improved. Increases in home prices, transaction volumes and new investment were seen.

Economic growth in Hong Kong and Macau was mild. The property markets there gradually returned to a stable level.

During the period, the business performance of the Group was satisfactory. The results of the various key performance indicators demonstrated the accomplishment of the Group's strategic and operation targets and that the risks of the industry were under proper control.

The Group together with its joint ventures and associates recorded contracted property sales amounting to HK\$95.26 billion for the first half of the year (an increase of 11.5%) while the corresponding sales area was 6.01 million sq m.

## Chairman's Statement (Continued)

### BUSINESS REVIEW (Continued)

The profit attributable to equity shareholders of the Company increased by 20.6% to HK\$19.69 billion, and the net profit, after deducting HK\$3.90 billion in the net gain after tax arising from changes in the fair value of the investment property portfolio, increased by 15.8% to HK\$15.79 billion. The annualised average return on shareholders' funds for the period was still over 20%.

The revenue of the Group was HK\$78.15 billion, representing an increase of 20.5% as compared to the corresponding period of last year. The operating profit of the Group was HK\$28.31 billion, an increase of 21.5% as compared to the corresponding period of last year.

Projects (including those by the joint ventures) with gross floor area ("GFA") of about 7.13 million sq m were completed. The Group's value of sales from projects completed during the period and which was recognised as revenue in the first half of 2016 was HK\$54.63 billion, while the Group's sales of properties completed before the end of 2015 amounted to HK\$22.18 billion.

The overall occupancy rate of the Group's investment properties was satisfactory. The total rental income for the period was HK\$1.06 billion, representing an increase of 15.9% as compared to the corresponding period of last year.

At end of June 2016, the Group's interests in joint ventures plus amounts due from and deduct amounts due to joint ventures remained at a low level of HK\$14.08 billion. The contribution from investments in joint ventures increased by 58.0% to HK\$500 million for the first half of the year. All joint ventures are financially sound. At the end of June, there were bank balances and cash of HK\$6.46 billion in aggregate against aggregate bank borrowings of only HK\$2.51 billion for the joint ventures. COGO is an associate of the Group and contributed profit of HK\$240 million to the Group.

Under the backdrop of accelerated consolidation for the China property market, the Company seized a good opportunity and on 14 March 2016 executed the sale and purchase agreement for the acquisition of the residential-focused property development projects from CITIC Limited ("the CITIC Property Acquisition"). The CITIC Property Acquisition was approved by the shareholders of the Company in the general meeting held on 20 July 2016, but the completion of which will proceed after fulfillment of the remaining conditions precedent to the aforesaid acquisition. The Board believes the deal is beneficial to the sustained development of the Group and will strengthen the leading status of the Group in the China property sector.

## Chairman's Statement (Continued)

### BUSINESS REVIEW (Continued)

In the first half of the year, the Group acquired four land parcels in three mainland cities and Hong Kong, adding total GFA of 2.28 million sq m to the land reserve. As at end of June 2016, the total land bank of the Group was 36.45 million sq m (attributable interest of 34.31 million sq m) and the total land bank of COGO was 9.54 million sq m (attributable interest of 8.90 million sq m).

The Group adheres to the principle of prudent financial management, endeavors to strike a balance between the cash inflow and outflow and to improve the financial strength of the Group on a sustainable basis. During the period, the total capital expenditure payments for the Group were HK\$30.41 billion (of which HK\$12.19 billion was spent on land premium). About HK\$17.71 billion was paid on taxes, operation and marketing expenses and financial expenses. Due to improved liquidity in China, sales proceeds collection increased substantially to HK\$72.07 billion. As a result of such combined effects, the Group was in a net cash position at end of June 2016. As at end of June 2016, the financial position of the Group was in a satisfactory condition; the equity attributable to the shareholders of the Company increased to HK\$201.54 billion; the Group had bank loans and notes payable amounted to HK\$43.15 billion and HK\$66.16 billion respectively; and bank balances and cash amounted to HK\$117.97 billion.

### PROSPECT

Going into the second half of the year, it is expected that the global economy will strengthen. In the British referendum, the United Kingdom voted to leave the European Union. This unexpected result has triggered huge uncertainty in global financial markets. It is expected that more easing measures will be forthcoming globally and that the United States Federal Reserve will be more prudent toward any interest rate increases. Geopolitical problems in the Middle East, Europe and Asia will from time to time cause turbulence in global financial markets. Under the inflow of hot money, the threat of asset bubbles bursting in emerging markets will likely rise. The Chinese government will continue its loose monetary policy. It is expected that the annual GDP growth target of about 6.5% to 7.0% can be achieved.



## Chairman's Statement (Continued)

### PROSPECT (Continued)

The satisfactory sales performance of the Group in the first half of the year confirms that the strategies of nationwide strategic development and developing high quality residential projects in the core areas of major mainland cities are correct. The Group will firmly push ahead with its branding strategy. The Group will strive to pursue the goals of rapid development, sales and cash collection in order to ensure overall satisfactory growth in both operation scale and profit, while maintaining satisfactory returns on shareholders' funds. Taking into account market changes and the positive effects of the CITIC Property Acquisition, the Group has decided to revise upward the 2016 contracted sales target to HK\$210 billion (include joint ventures and associates).

It is expected that there will be additional policy supports on the development of the property market by the Chinese Government and the property market in China will improve moderately. However, market consolidation will proceed at a faster manner. Property developers which are weak in managerial and financial capability will likely be eliminated. Such trends present more opportunities than challenges to the Group.

The rigid demand is strong and the prospects are promising in the property market in Hong Kong and Macau. The Group will stick to the strategy of participating in the market in a moderate manner.

The Group will stick to its prudent financial management and control well its gearing level while holding a relatively high level of financial resources. Following the improvement in the liquidity of the mainland Chinese banking sector, the Group will have more diversified fundraising channels. During the year, the Group has been actively increasing its Renminbi debt onshore by various means. Cash collection in mainland China is also expected to be satisfactory. The debt profile of the Group will hence be enhanced further and more fundings will be available to support the business development. In the second half of the year, the Group will continue to seize opportunities to expand its land bank at low cost and determine its investment scale according to the sales performance and financial resources available.

The prospect of the Group's property development business in China is bright and promising while that of Hong Kong and Macau is good. The Board is very confident of the future of the Group. The Group will persistently improve its management capability, operation mode and product structure, product quality and branding. The Group will not blindly pursue growth in scale but will try best to enhance its competitive advantages so as to maintain its pioneer and leading position in the China property industry.

## Chairman's Statement (Continued)

### PROSPECT *(Continued)*

The Group will strive to achieve the corporate mission of "Sustainability, Value-adding, Harmony and Win-win". To grow into an evergreen enterprise, the Group will move steadily and firmly ahead with its strategy of continuous strengthening of corporate governance, practising a high level of corporate citizenship, thus attaining a win-win outcome for the Company, its shareholders, business associates, staff members and the community.

### APPRECIATION

Lastly, I wish to express my heartfelt appreciation to my fellow directors for their outstanding leadership, the shareholders and business associates for their support and trust and the entire staff for their dedication.

By Order of the Board

**China Overseas Land & Investment Limited**

**Hao Jian Min**

*Chairman and Chief Executive Officer*

Hong Kong, 22 August 2016



## Management Discussion & Analysis

### Overall Performance

The management of the Group is pleased to report that the Group had satisfactory performance in the first half of the year 2016. The revenue of the Group was HK\$78.15 billion (the corresponding period in 2015: HK\$64.85 billion), representing an increase of 20.5%. The operating profit was HK\$28.31 billion (the corresponding period in 2015: HK\$23.29 billion), representing an increase of 21.5%. Profit attributable to equity shareholders of the Company amounted to HK\$19.69 billion (the corresponding period in 2015: HK\$16.32 billion), representing an increase of 20.6%. Basic and diluted earnings per share were HK\$2.00 (the corresponding period in 2015: HK\$1.90), an increase of 5.3%.

As at 30 June 2016, the equity attributable to equity shareholders of the Company was HK\$201.54 billion (31 December 2015: HK\$191.56 billion), an increase of 5.2% as compared to the end of the previous year, while the book value of net asset per share was HK\$20.44 (31 December 2015: HK\$19.43), an increase of 5.2% as compared to the end of the previous year.

### Property Sales

Revenue of property sales increased by 22.8% to HK\$76.81 billion. Revenue from property sales mainly related to property projects such as No.1 Lake Lantern and Goldenmiles in Foshan, Grand Mansion in Shanghai, International Community in Ningbo, No.8 Milestone and Lane No.9 in Tianjin, International Community and Paramount Jade in Jinan, La Cite in Shenyang and The Gem in Zhuhai.

Segment profit from property sales (including the Group's share of profits of associates and joint ventures) amounted to HK\$20.49 billion, an increase of 7.5% comparing with the corresponding period of last year.

### Property Development

Benefited from the continued monetary easing measures and also easing of the property regulatory policies, the sentiment of the property market has improved in the first half of the year. Rise in land prices, property prices and sales volume was generally seen. The property market in Hong Kong and Macau has gradually returned to normal level.

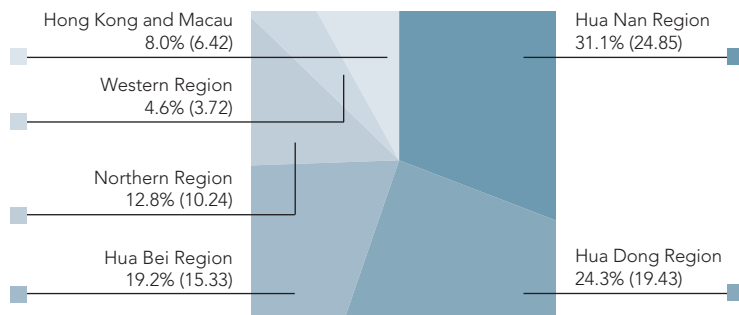
As the leader in the mainland property sector, China Overseas Property (中海地產) has been pursuing sustainable and balanced development while putting emphasis on cash flow management and return on shareholders' funds. The Group will not blindly pursue growth in scale. Even though several property developers announced sales of over HK\$100 billion for the first half of the year, the Group still strives to ensure that the sales growth in each month should still be relatively stable and gross profit margin staying at satisfactory industry level. Contracted sales (including those of the joint ventures and the associates) of HK\$95.26 billion was reported in the first half of 2016, an increase of 11.5% as comparing to the corresponding period of last year. Hong Kong and Macau recorded a satisfactory sales result of HK\$6.42 billion.

## Management Discussion & Analysis (Continued)

### Property Development (Continued)

#### 1H 2016 THE GROUP'S CONTRACTED SALES AMOUNT BY REGION

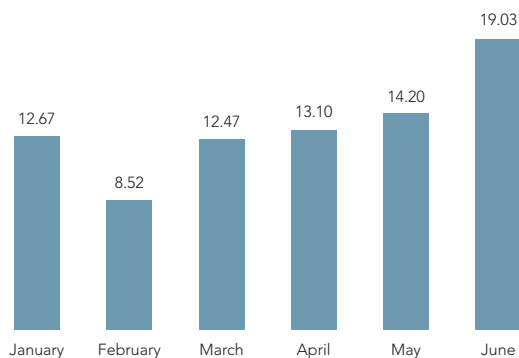
HK\$ billion



- **Hua Nan Region** : Shenzhen, Foshan, Zhongshan, Guangzhou, Changsha, Xiamen, Fuzhou, Zhuhai, Haikou
- **Hua Dong Region** : Suzhou, Nanjing, Ningbo, Hangzhou, Nanchang, Shanghai, Wuxi
- **Hua Bei Region** : Beijing, Tianjin, Jinan, Wuhan, Zhengzhou, Taiyuan, Zibo, Weifeng
- **Northern Region** : Changchun, Qingdao, Dalian, Shenyang, Yantai, Harbin
- **Western Region** : Chengdu, Xi'an, Chongqing, Kunming, Urumqi

#### 1H 2016 THE GROUP'S CONTRACTED SALES AMOUNT BY MONTH

HK\$ billion



## Management Discussion & Analysis (Continued)

### Property Development (Continued)

During the period, 48 projects (including those by the joint ventures) with aggregate GFA of 7.13 million sq m were completed in 26 cities in mainland China and Hong Kong and Macau.

The major projects completed for occupation were:

City	Name of Project	GFA ('000 sq m)
Harbin	The Majestic	261
Shenyang	COLI City	196
Shenyang	La Cite	311
Shenyang	China Overseas Plaza	125
Changchun	La Cite	118
Jinan	Paramount Jade	1,202
Tianjin	Lane No.9	205
Zhengzhou	Glorious Garden	168
Nanjing	International Community	124
Ningbo	La Cite	151
Ningbo	International Community	380
Foshan	The Majestic	186
Foshan	Glorious Park	171
Foshan	Goldenmiles	204
Xi'an	COLI City	151
Zhuhai	The Gem	206
Shenzhen	Glorious City	225
Wuxi	The Imperial	155
Hangzhou	Regent	138
Kunming	Royal Peninsula	377
Urumqi	View Above the Clouds	130
Suzhou	#102 The Lagoon*	233
Hangzhou	La Cite*	153
Chongqing	The Throne*	232
		<b>5,802</b>

\* Joint venture projects on 100% basis

The Group's sales of properties completed before the end of 2015 was satisfactory and the amount recognised as revenue amounted to HK\$22.18 billion. Despite the fact that a large number of projects were completed for occupation in the first half of the year, properties completed and held for sale at end of June 2016 slightly increased as comparing to last year end and to 2.56 million sq m, at a low level for the industry.



## Management Discussion & Analysis (Continued)

### Property Development (Continued)

To ensure sustainable rapid growth, the Group continues to expand sources in getting high quality land reserve through various means and ways. The Company announced in March the CITIC Property Acquisition which could inject up to about 30 million sq m of land resources into the Group in one shot. Coupled with the fact that the land markets in some cities were over-heated, the Group was very selective in replenishing the land reserve. In the first half of the year, the Group incurred HK\$9.9 billion and acquired four land parcels in Jinan, Hong Kong, Nanchang and Changchun, adding GFA of 2.28 million sq m to its land reserve. Taking into consideration the effect of the CITIC Property Acquisition, it is expected that the Group will continue to be prudent in replenishing its land reserve in the second half of the year.

The land parcels added in the first half of year 2016 were:

City	Name of Project	Attributable Interest	Land Area ('000 sq m)	Total GFA ('000 sq m)
<b>Land acquisitions by the Group</b>				
Jinan	Licheng District Huashan Project	100%	559	1,471
Hong Kong	New Territories Tai Po Project	100%*	38	107
Nanchang	Donghu District Qingshanhu Project	100%	60	240
Changchun	Lvyuan District Jingyang Dalu Project	100%	149	462
<b>Total</b>			<b>806</b>	<b>2,280</b>

\* On 24 March 2016, 20% equity interest was disposed to China State Construction International Holdings Limited.

It is expected that policy supports to the development of the property market by the Chinese government will remain in place and the property market will continue to improve. This is beneficial to the long term healthy development of the property sector. A better regulated market is also favorable to big players in increasing their market shares. However, operation environment for medium to small property developers is expected to be tougher and this will lead to market consolidation in a faster manner. The Group is optimistic about the medium and long term development of the mainland China property market. The Group will adhere strictly to prudent financial management and the strategy of sustainable development. Maintaining a reasonable level of high value land bank, faster development, more effective sales and cash collection, and strict risk control will help ensure the stable growth in the profit and the satisfactory return on the shareholders' funds. The major focus of the Group in the second half of the year will be to expedite the consolidation of the projects from the CITIC Property Acquisition in an effective manner, thus providing momentum to the growth of the Group for this year and the next few years.



## Management Discussion & Analysis (Continued)

### Property Rental

Revenue from property rental of the Group amounted to HK\$1.06 billion, an increase of 15.9% comparing with the corresponding period of last year. The rise in rental income was mainly due to higher market rent and occupancy rate. Segment profit amounted to HK\$8.53 billion which include the gain arising from changes in fair value of investment properties amounting to HK\$5.27 billion (net gain after deferred tax was HK\$3.90 billion). Besides, there was a gain on disposal of subsidiaries and investment properties amounting to HK\$2.48 billion.

The Group, through the disposal of the entire issued share capital and shareholders' loans of some subsidiaries, completed the disposals of two investment properties in Hong Kong, namely China Overseas Building and Hoover Towers (Tower V), during the period. The total considerations were HK\$4.83 billion and HK\$510 million respectively. Such disposals contributed a net gain of HK\$1.64 billion to the Group during the period. Besides, disposal of investment properties in Beijing contributed net gain before tax of HK\$840 million. There was no disposal of investment properties in corresponding period of last year.

### Other Operations

Revenue from other operations amounted to HK\$270 million (the corresponding period in 2015: HK\$1.38 billion), a decrease of 80.4% comparing with the corresponding period of last year. In October 2015, the Group completed the spin-off and separate listing of its property management business. The revenue from other operations during the period is mainly contributed from its Hua Yi Design businesses.

### Liquidity, Financial Resources and Debt Structure

The Group continues to adopt prudent financial policies. Finance, fund utilisation and fundraising activities are subject to effective centralised management and supervision. The Group maintains reasonable gearing level and adequate cash balances.

Mainly due to the likely completion of the CITIC Property Acquisition in the third quarter of the year and hence the injection of huge amount of land bank in one shot, the payment for land premium for new land parcels reduced significantly during the reported period. Due to improved liquidity in the banking sector in China, cash collection for the Group was close to HK\$72 billion for the first half of the year. The Group was then in a net cash position for the first time in more than 10 years.

## Management Discussion & Analysis (Continued)

### Liquidity, Financial Resources and Debt Structure (Continued)

The overall financial position of the Group was satisfactory. Interest cover (measured by the ratio of operating profit less interest income to the total interest expenses) increased from 9.9 times during the six months ended 30 June 2015 to 12.3 times, still at a satisfactory level. The weighted average borrowing costs of the Group was maintained at around 3.97% (total finance costs divided by the weighted average borrowings), at the lowest level for the industry. At end of June 2016, there was unpaid land premium of HK\$4.0 billion while bank borrowings due to mature in the second half of the year amounted to HK\$1.23 billion. Taking into account that sales proceeds collection will continue to improve in the second half of the year and even though as much as HK\$80 billion of shareholders loan and bank loans related to the CITIC Property Acquisition need to be repaid or refinanced, the Group's financial position at the year end should still maintain at a satisfactory level.

As at 30 June 2016, consolidated bank borrowings and notes payable of the Group amounted to HK\$43.15 billion (31 December 2015: HK\$49.26 billion) and HK\$66.16 billion (31 December 2015: HK\$66.20 billion) respectively, of which 25.2% was denominated in Hong Kong dollars, 44.1% was denominated in US dollars, 21.1% was denominated in Renminbi, 7.8% was denominated in Euro and 1.8% was denominated in Pound.

As at 30 June 2016, the Group had bank balances and cash amounting to HK\$117.97 billion (of which 8.4% was denominated in Hong Kong dollars, 0.5% was denominated in US dollars, 90.8% was denominated in Renminbi, 0.2% was denominated in Pound and minimal amounts were denominated in other currencies) and unutilised banking facilities amounting to HK\$9.78 billion.

Except for the offshore RMB loans amounting to RMB3.85 billion, all the bank borrowings (either in Hong Kong dollars, US dollars, Pounds or Renminbi) of the Group are at floating rates while all the bonds (either in US dollars, Euro and Renminbi) are at fixed interest rates as at end June 2016. The Group has not entered into any financial derivatives either for hedging or speculative purposes. Taking into account of the potential increase in interest rates and the possible fluctuations in the exchange rate of Renminbi, the Group will prudently consider entering into currency and interest rate swap arrangements to minimise such exposures if and when appropriate.

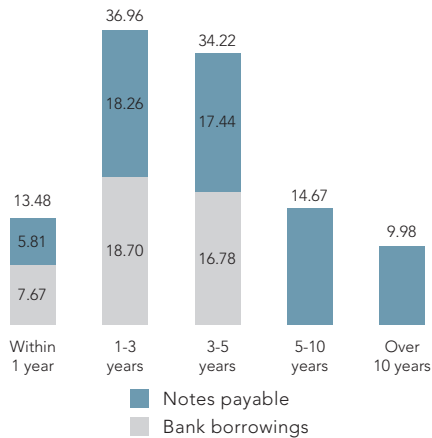
## Management Discussion & Analysis (Continued)

### Liquidity, Financial Resources and Debt Structure (Continued)

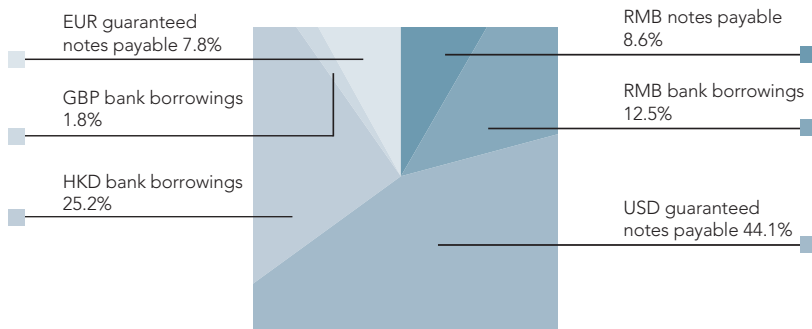
It is expected that more investment and acquisition opportunities will be available as the consolidation of the China property industry accelerate. The Group will continue to take full advantage of its competitive edge in having various fundraising platforms in and outside China. Subject to the overriding principle of prudent financial management, the Group will seek opportunities to increase its financial resources so as to provide solid support to the rapid development of the Group.

#### DEBT MATURITY PROFILE AT 30 JUNE 2016

HK\$ billion



#### INTEREST BEARING DEBTS BY CURRENCY AT 30 JUNE 2016



## Management Discussion & Analysis (Continued)

### Corporate Citizenship

“To serve the community” has always been the corporate motto, philosophy and mission of the Group. The Group has always tried its utmost to commit its corporate social responsibilities and share its success with the community. Through its hearty and active involvement in charitable activities, educational contributions, environmental protection, improvement of life quality, customer service and staff development, the Group succeeds in promoting a harmonious and balanced community.

The Group continues to promote its charitable commitment along with its well-established brand of “海無涯·愛無疆” (“The sea has no limit and love has no boundary”) and put in place medium to long term planning to meet its corporate social responsibility, including an ongoing campaign of sponsoring and soliciting donations for the construction of one China Overseas Hope School every year. The Group has so far built ten Hope Schools in Hanzhong of Shaanxi, Nanchuan and Yunyang of Chongqing, Changchun of Jilin, Dujiangyan of Sichuan, Shenyang of Liaoning, Jinan and Qixia of Shandong, Quzhou of Zhejiang and Huaihua of Hunan respectively.

As a leading property developer in China, while developing quality residences, the Group has placed great emphasis on environmental protection and energy conservation, affirmed its value to sustainable ecological concepts, implementing low-carbon buildings and to cultivate a quality and green society.

### Human Resources

The Group always regard talent strategy as one of the most important strategy and human resources as its most precious resources. After spinning off its property management business, the number of the Group’s employees has decreased substantially to about 4,500. The Group has established a comprehensive training and cultivation system, providing the staff with security by an all-round mechanism as well as resources to support them to understand the Company’s strategies, adapt to the corporate culture, enrich their professional knowledge and strengthen their management capability.

To further enhance the continuity and sustainability of business, the Group has adhered to the two-pronged recruitment strategy of “Sons of the Sea” and “Sea’s Recruits” while continued to expand the recruitment network to secure abundant supply of high-calibre staff to support the Group’s rapid development. In recognition of its strong talent branding and the outstanding employer image, the Group was presented with numerous honours and awards, including the “The Best Employer in China Award 2015” (hosted by [www.zhaopin.com](http://www.zhaopin.com)) and “Top 50 – Best Employer in China Award 2015”.

## Condensed Consolidated Income Statement

The unaudited 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 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
<b>Revenue</b>	5	<b>78,149,549</b>	64,848,644
Business tax		<b>(3,434,167)</b>	(3,264,137)
Net revenue	5	<b>74,715,382</b>	61,584,507
Direct operating costs, exclude business tax above		<b>(52,676,176)</b>	(40,674,298)
		<b>22,039,206</b>	20,910,209
Other income and gains, net		<b>483,311</b>	786,938
Gain arising from changes in fair value of investment properties		<b>5,273,031</b>	3,551,483
Gain on disposal of investment properties		<b>837,759</b>	–
Gain on disposal of subsidiaries	6	<b>1,640,289</b>	–
Selling and distribution costs		<b>(998,802)</b>	(937,363)
Administrative expenses		<b>(961,889)</b>	(1,016,964)
Operating profit		<b>28,312,905</b>	23,294,303
Share of profits of			
Associates		<b>239,799</b>	225,974
Joint ventures		<b>502,489</b>	317,943
Finance costs	7	<b>(293,213)</b>	(282,084)
<b>Profit before tax</b>		<b>28,761,980</b>	23,556,136
Income tax expenses	8	<b>(8,543,516)</b>	(6,839,247)
<b>Profit for the period</b>	9	<b>20,218,464</b>	16,716,889
Attributable to:			
Owners of the Company		<b>19,685,530</b>	16,317,238
Non-controlling interests		<b>532,934</b>	399,651
		<b>20,218,464</b>	16,716,889
		<b>HK\$</b>	<b>HK\$</b>
<b>EARNINGS PER SHARE</b>	10		
Basic and diluted		<b>2.00</b>	1.90

## Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
<b>Profit for the period</b>	<b>20,218,464</b>	16,716,889
<b>Other comprehensive income</b>		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of the Company and its subsidiaries	(5,031,859)	63,626
Exchange differences on translation of joint ventures	(488,516)	5,032
	<b>(5,520,375)</b>	68,658
<i>Item that may be reclassified to profit or loss</i>		
Exchange differences on translation of associates	(225,464)	2,843
<b>Other comprehensive income for the period</b>	<b>(5,745,839)</b>	71,501
<b>Total comprehensive income for the period</b>	<b>14,472,625</b>	16,788,390
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	<b>14,029,014</b>	16,387,314
Non-controlling interests	<b>443,611</b>	401,076
	<b>14,472,625</b>	16,788,390

## Condensed Consolidated Statement of Financial Position

	Notes	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
<b>Non-current Assets</b>			
Investment properties		<b>66,070,393</b>	64,057,066
Deposit for acquisition of an investment property		–	166,555
Property, plant and equipment		<b>1,173,413</b>	1,222,990
Prepaid lease payments for land		<b>122,333</b>	127,302
Interests in associates		<b>5,603,628</b>	5,589,294
Interests in joint ventures		<b>9,095,865</b>	9,420,805
Investments in syndicated property project companies		<b>24,233</b>	24,233
Available-for-sale investments		<b>30,693</b>	31,392
Amounts due from joint ventures		<b>2,013,430</b>	1,971,029
Goodwill		<b>64,525</b>	64,525
Deferred tax assets		<b>3,077,409</b>	3,011,132
		<b>87,275,922</b>	85,686,323
<b>Current Assets</b>			
Inventories		<b>56,103</b>	60,304
Stock of properties		<b>180,168,576</b>	203,182,608
Land development expenditure		<b>5,602,903</b>	3,158,493
Prepaid lease payments for land		<b>4,044</b>	4,022
Trade and other receivables	12	<b>10,104,442</b>	11,203,163
Deposits and prepayments		<b>5,923,869</b>	6,759,833
Deposits for land use rights for property development		<b>3,184,151</b>	4,492,733
Amounts due from fellow subsidiaries		<b>2,635,397</b>	220,423
Amounts due from associates		<b>404,508</b>	467,295
Amounts due from joint ventures		<b>4,886,737</b>	4,453,866
Amounts due from non-controlling shareholders		<b>856,155</b>	893,645
Tax prepaid		<b>3,398,046</b>	3,282,152
Bank balances and cash		<b>117,973,995</b>	102,445,644
		<b>335,198,926</b>	340,624,181
Assets held for sale		<b>905,536</b>	926,165
		<b>336,104,462</b>	341,550,346



## Condensed Consolidated Statement of Financial Position (Continued)

	Notes	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
<b>Current Liabilities</b>			
Trade and other payables	13	34,212,170	34,643,922
Pre-sales deposits		39,995,026	47,494,710
Rental and other deposits		1,506,924	1,863,896
Amounts due to fellow subsidiaries		947,970	618,156
Amounts due to associates		1,032,361	1,053,344
Amounts due to joint ventures		1,918,791	1,322,733
Amounts due to non-controlling shareholders		801,238	960,454
Tax liabilities		17,252,555	18,466,252
Bank borrowings – due within one year		7,667,950	7,269,470
Notes payable – due within one year		5,810,756	–
		<b>111,145,741</b>	113,692,937
<b>Net Current Assets</b>		<b>224,958,721</b>	227,857,409
<b>Total Assets Less Current Liabilities</b>		<b>312,234,643</b>	313,543,732
<b>Capital and Reserves</b>			
Share capital	14	62,434,116	62,434,116
Reserves		139,109,585	129,123,409
Equity attributable to owners of the Company		201,543,701	191,557,525
Non-controlling interests		5,467,161	5,055,420
<b>Total Equity</b>		<b>207,010,862</b>	196,612,945
<b>Non-current Liabilities</b>			
Bank borrowings – due after one year		35,487,450	41,986,405
Notes payable – due after one year		60,348,144	66,200,380
Amounts due to non-controlling shareholders		1,033,828	1,238,436
Deferred tax liabilities		8,354,359	7,505,566
		<b>105,223,781</b>	116,930,787
		<b>312,234,643</b>	313,543,732

## Condensed Consolidated Statement of Changes in Equity

	Unaudited									
	Attributable to owners of the Company								Non-controlling interests	Total
	Share capital	Translation reserve	Merger reserve	Other reserves	PRC statutory reserve	Retained profits	Total			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note)	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 January 2015	19,634,031	10,345,203	786,598	43,779	3,364,380	99,496,492	133,670,483	4,886,320	138,556,803	
Profit for the period	-	-	-	-	-	16,317,238	16,317,238	399,651	16,716,889	
Exchange differences on translation of the Company and its subsidiaries	-	62,201	-	-	-	-	62,201	1,425	63,626	
Exchange differences on translation of joint ventures	-	5,032	-	-	-	-	5,032	-	5,032	
Exchange differences on translation of associates	-	2,843	-	-	-	-	2,843	-	2,843	
Total comprehensive income for the period	-	70,076	-	-	-	16,317,238	16,387,314	401,076	16,788,390	
2014 final dividend payable (Note 11)	-	-	-	-	-	(3,451,203)	(3,451,203)	-	(3,451,203)	
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	(180,406)	(180,406)	
Issue of shares	42,800,085	-	-	-	-	-	42,800,085	-	42,800,085	
Acquisition of subsidiaries from the immediate holding company	-	-	(2,308,770)	-	-	-	(2,308,770)	-	(2,308,770)	
Share of reserve of an associate	-	1	-	(136,593)	-	(1)	(136,593)	-	(136,593)	
Return of capital to non-controlling shareholders	-	-	-	-	-	-	-	(89,519)	(89,519)	
Transfer to PRC statutory reserve	-	-	-	-	617,441	(617,441)	-	-	-	
At 30 June 2015	62,434,116	10,415,280	(1,522,172)	(92,814)	3,981,821	111,745,085	186,961,316	5,017,471	191,978,787	

## Condensed Consolidated Statement of Changes in Equity (Continued)

	Unaudited									
	Attributable to owners of the Company								Non-controlling interests	Total
	Share capital	Translation reserve	Merger reserve	Other reserves	PRC		Total	HK\$'000		
					statutory reserve	Retained profits				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
	(Note)									
At 1 January 2016	62,434,116	2,938,455	(1,522,172)	47,139	4,224,508	123,435,479	191,557,525	5,055,420	196,612,945	
Profit for the period	-	-	-	-	-	19,685,530	19,685,530	532,934	20,218,464	
Exchange differences on translation of the Company and its subsidiaries	-	(4,942,536)	-	-	-	-	(4,942,536)	(89,323)	(5,031,859)	
Exchange differences on translation of joint ventures	-	(488,516)	-	-	-	-	(488,516)	-	(488,516)	
Exchange differences on translation of associates	-	(225,464)	-	-	-	-	(225,464)	-	(225,464)	
Total comprehensive income for the period	-	(5,656,516)	-	-	-	19,685,530	14,029,014	443,611	14,472,625	
2015 final dividend paid (Note 11)	-	-	-	-	-	(4,042,838)	(4,042,838)	-	(4,042,838)	
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	(31,442)	(31,442)	
Return of capital to non-controlling shareholders	-	-	-	-	-	-	-	(428)	(428)	
Transfer to PRC statutory reserve	-	-	-	-	7,435	(7,435)	-	-	-	
At 30 June 2016	62,434,116	(2,718,061)	(1,522,172)	47,139	4,231,943	139,070,736	201,543,701	5,467,161	207,010,862	

Note: PRC statutory reserve of the Group represents general and development fund reserve applicable to subsidiaries which were established in accordance with the relevant People's Republic of China ("PRC") regulations.

## Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Operating cash flows before movements in working capital	19,066,332	18,827,433
Decrease in stock of properties and deposits for land use rights for property development	22,842,288	5,009,671
Decrease/(increase) in trade and other receivables, and deposits and prepayments	1,814,715	(2,161,290)
(Increase)/decrease in restricted bank balances	(903,573)	64,796
Decrease in trade and other payables, pre-sales deposits, and rental and other deposits	(6,407,503)	(6,999,438)
Other movements in working capital	(622,751)	340,738
Cash generated from operations	35,789,508	15,081,910
Income taxes paid	(8,702,931)	(10,655,362)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>27,086,577</b>	<b>4,426,548</b>
<b>INVESTING ACTIVITIES</b>		
Dividends received from joint ventures	338,910	214,430
Additions of investment properties	(2,070,332)	(606,557)
Advances to joint ventures	(850,052)	(447,657)
Acquisition of subsidiaries	–	(33,626)
Net proceeds on disposal of subsidiaries	2,883,211	–
Other investing cash flows	985,989	757,632
<b>NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES</b>	<b>1,287,726</b>	<b>(115,778)</b>

## Condensed Consolidated Statement of Cash Flows (Continued)

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>FINANCING ACTIVITIES</b>		
Interest paid	(1,981,511)	(2,202,948)
Dividends paid to owners of the Company	(4,042,838)	–
Issue of shares	–	42,800,085
New bank loans raised	–	25,580,603
Repayment of bank loans	(5,646,024)	(19,336,420)
Repayment to holding companies	–	(29,939,956)
(Repayment to)/advances from non-controlling shareholders	(370,999)	224,454
Advances from joint ventures	798,207	41,845
Acquisition of subsidiaries from immediate holding company	–	(2,308,770)
Other financing cash flows	108,778	(365,668)
<b>NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES</b>	<b>(11,134,387)</b>	14,493,225
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>17,239,916</b>	18,803,995
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>100,572,591</b>	58,280,945
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>(2,573,417)</b>	23,346
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>115,239,090</b>	77,108,286
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Bank balances and cash	117,973,995	78,610,721
Less: restricted bank balances	(2,734,905)	(1,502,435)
	<b>115,239,090</b>	77,108,286



## Notes to the Financial Statements

### 1. Basis of Preparation

These condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The condensed consolidated financial statements should be read in conjunction with the Group’s 2015 annual financial statements, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

The financial information relating to the year ended 31 December 2015 that is included in the condensed consolidated financial statements for the six months ended 30 June 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 Hong Kong Companies Ordinance (Cap. 622) 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 Hong Kong Companies Ordinance (Cap. 622).

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 (3) of the Hong Kong Companies Ordinance (Cap. 622).

## Notes to the Financial Statements (Continued)

### 2. Application of New and Revised HKFRSs

The accounting policies applied are consistent with those of the Group's annual financial statements for the year ended 31 December 2015, as described in those annual financial statements except for the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are relevant to the Group:

Amendments to HKAS 1	<i>Disclosure Initiative</i>
Annual Improvements Project	<i>Annual Improvements 2012 – 2014 Cycle</i>

The application of the above amendments to HKFRSs has had no material impact on the Group's results and financial position.

The Group has not early adopted the following new and revised standards and amendments that have been issued but are not yet effective:

HKFRS 9	<i>Financial Instruments<sup>1</sup></i>
HKFRS 15	<i>Revenue from Contracts with Customers<sup>1</sup></i>
HKFRS 16	<i>Leases<sup>2</sup></i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup></i>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> The mandatory effective date will be determined

The Group has already commenced an assessment of the impact of these new or revised standards and amendments, certain of which may be relevant to the Group's operations and may give rise to changes in disclosure, recognition and remeasurement of certain items in the condensed consolidated financial statements.



## Notes to the Financial Statements (Continued)

### 3. Financial Risk Management

In the normal course of business, the Group is exposed to financial risks attributable to interest rates, foreign currency, credit, liquidity and fair value.

The condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's 2015 annual financial statements.

There have been no significant changes in the risk management department, policies and procedures since the year end.

### 4. Estimates

The preparation of condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.



## Notes to the Financial Statements (Continued)

### 5. Revenue and Contribution

The Group is organised into business units based on their products and services, based on which information is prepared and reported to the Group's management for the purposes of resource allocation and assessment of performance. The Group's operating and reportable segments under HKFRS 8 and the types of revenue are as follows:

- Property development – proceeds from property development activities
- Property investment – property rentals
- Other operations – revenue from real estate management services, construction and building design consultancy services

#### Segment revenue and results

The following is an analysis of the Group's revenue and results (including share of profits of associates and joint ventures) by reportable segments.

#### Six months ended 30 June 2016 – Unaudited

	Property development HK\$'000	Property investment HK\$'000	Other operations HK\$'000	Segment total HK\$'000
Segment revenue				
– from external customers	76,812,550	1,063,828	273,171	78,149,549
Business tax	(3,384,141)	(43,623)	(6,403)	(3,434,167)
Net Revenue	73,428,409	1,020,205	266,768	74,715,382
Segment profit/(loss) (including share of profits of associates and joint ventures)	20,487,119	8,532,737	(11,607)	29,008,249

## Notes to the Financial Statements (Continued)

### 5. Revenue and Contribution (Continued)

#### Segment revenue and results (Continued)

Six months ended 30 June 2015 – Unaudited

	Property development HK\$'000	Property investment HK\$'000	Other operations HK\$'000	Segment total HK\$'000
Segment revenue				
– from external customers	62,545,866	917,883	1,384,895	64,848,644
Business tax	(3,155,218)	(47,140)	(61,779)	(3,264,137)
Net revenue	59,390,648	870,743	1,323,116	61,584,507
Segment profit (including share of profits of associates and joint ventures)	19,060,467	4,264,329	102,950	23,427,746

#### Reconciliation of reportable segment profits to the consolidated profit before tax

Segment profit includes profits from subsidiaries, share of profits of joint ventures and share of profits of associates. This represents the profit earned by each segment without allocation of interest income on bank deposits, corporate expenses, finance costs and net foreign exchange (losses)/gains recognised in condensed consolidated income statement. This is the measure reported to the management of the Group for the purposes of resource allocation and performance assessment.

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Reportable segment profits	<b>29,008,249</b>	23,427,746
Unallocated items:		
Interest income on bank deposits	<b>656,967</b>	365,167
Corporate expenses	<b>(142,827)</b>	(108,167)
Finance costs	<b>(293,213)</b>	(282,084)
Net foreign exchange (losses)/gains (charged)/ credited to condensed consolidated income statement	<b>(467,196)</b>	153,474
Consolidated profit before tax	<b>28,761,980</b>	23,556,136

## Notes to the Financial Statements (Continued)

### 6. Gain on Disposal of Subsidiaries

On 11 May 2016, the Group entered into a sale and purchase agreement with Viewtime Limited ("Viewtime"), a wholly-owned subsidiary of China Overseas Holdings Limited, which is the immediate holding company of the Company, pursuant to which the Group agreed to sell and Viewtime agreed to purchase the entire issued share capital and shareholder's loan of Treasure Trinity Limited, which indirectly held the Hoover Towers (Tower V) in Hong Kong. The total consideration was HK\$507,367,000. The disposal was completed on 18 May 2016. As a result, a gain on disposal of HK\$50,000,000 was recognised in the condensed consolidated income statement.

On 11 May 2016, the Group also entered into a sale and purchase agreement with Total Joy Global Limited ("TJGL"), a wholly-owned subsidiary of China State Construction International Holdings Limited, which is a listed fellow subsidiary of the Group, pursuant to which the Group agreed to sell and TJGL agreed to purchase the entire issued share capital and shareholder's loan of Precious Deluxe Global Limited, which indirectly held the China Overseas Building in Hong Kong. The total consideration was HK\$4,825,147,000. The disposal was completed on 24 June 2016. As a result, a gain on disposal of HK\$1,590,289,000 was recognised in the condensed consolidated income statement.

### 7. Finance Costs

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank loans and notes payable	<b>2,185,318</b>	2,053,701
Interest on amounts due to holding companies	–	165,826
Other finance costs	<b>62,218</b>	95,743
Total finance costs	<b>2,247,536</b>	2,315,270
Less: Amount capitalised	<b>(1,954,323)</b>	(2,033,186)
	<b>293,213</b>	282,084

## Notes to the Financial Statements (Continued)

### 8. Income Tax Expenses

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
PRC Corporate Income Tax ("CIT")	<b>4,414,161</b>	3,304,507
PRC Land Appreciation Tax ("LAT")	<b>3,047,418</b>	1,894,854
PRC withholding income tax	<b>158,804</b>	183,955
Hong Kong profits tax	–	30,048
Macau income tax	–	432,177
Others	<b>3,782</b>	2,045
	<b>7,624,165</b>	5,847,586
Over provision in prior years:		
CIT	–	(2,659)
Hong Kong profits tax	–	(10)
Macau income tax	<b>(2,867)</b>	–
	<b>(2,867)</b>	(2,669)
Deferred tax:		
Current period	<b>922,218</b>	994,330
Total	<b>8,543,516</b>	6,839,247

Under the Law of the PRC on Corporate Income Tax (the "CIT Law") and Implementation Regulation of the CIT Law, the tax rate of PRC subsidiaries is 25% (2015: 25%).

The provision for LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

Hong Kong profits tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profit for the period.

Macau income tax is calculated at the prevailing tax rate of 12% (2015: 12%) in Macau.

## Notes to the Financial Statements (Continued)

### 9. Profit for the Period

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging/(crediting):		
Business tax and other levies	<b>3,434,167</b>	3,264,137
Depreciation of property, plant and equipment	<b>35,561</b>	43,023
Amortisation of prepaid lease payments for land	<b>2,022</b>	2,438
Interest income	<b>(682,983)</b>	(405,537)
Net foreign exchange losses/(gains)	<b>467,196</b>	(153,474)

### 10. Earnings Per Share

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

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Earnings</b>		
Earnings for the purpose of basic and diluted earnings per share		
Profit for the period attributable to the owners of the Company	<b>19,685,530</b>	16,317,238

## Notes to the Financial Statements (Continued)

### 10. Earnings Per Share (Continued)

	Six months ended 30 June	
	2016	2015
	'000	'000
	(Unaudited)	(Unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<b>9,860,581</b>	8,583,979

Diluted earnings per share were the same as the basic earnings per share for the six months ended 30 June 2016 and 2015 as there were no dilutive potential ordinary shares in existence during both periods.

### 11. Dividends

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Dividend recognised as distribution during the period</b>		
2015 final dividend of HK41 cents per share paid on 31 May 2016 (six months ended 30 June 2015: 2014 final dividend of HK35 cents per share)	<b>4,042,838</b>	3,451,203

The Board has determined that an interim dividend of HK35 cents (2015: HK20 cents) per share, amounting to HK\$3,451,203,000 (2015: HK\$1,972,116,000) will be paid to the shareholders of the Company whose names appear in the Register of Members on 20 September 2016 (2015: 11 September 2015). The amount of interim dividend declared, which was calculated based on the number of ordinary shares in issue at the date of approval of the condensed consolidated financial statements, has not been recognised as a liability in the condensed consolidated financial statements. It will be recognised in the shareholders' equity in the year ending 31 December 2016.

## Notes to the Financial Statements (Continued)

### 12. Trade and Other Receivables

Proceeds receivable in respect of property development are settled in accordance with the terms stipulated in the sale and purchase agreements.

Except for the proceeds from property development and rental income from lease of properties which are receivable in accordance with the terms of the relevant agreements, the Group generally allows a credit period of not exceeding 60 days to its customers.

The following is an ageing analysis of trade receivables presented at the end of the reporting period:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Trade receivables, aged		
0–30 days	<b>6,372,058</b>	7,727,482
31–90 days	<b>190,908</b>	269,296
Over 90 days	<b>722,565</b>	487,364
	<b>7,285,531</b>	8,484,142
Other receivables	<b>2,818,911</b>	2,719,021
	<b>10,104,442</b>	11,203,163

## Notes to the Financial Statements (Continued)

### 13. Trade and Other Payables

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

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Trade payables, aged		
0-30 days	8,011,241	6,793,726
31-90 days	1,557,792	1,262,568
Over 90 days	11,119,732	12,461,163
	<b>20,688,765</b>	20,517,457
Other payables	2,764,560	2,947,464
Retentions payable	10,758,845	11,179,001
	<b>34,212,170</b>	34,643,922

Other payables mainly include other taxes payable and accrued charges.

### 14. Share Capital

	Number of Shares '000	HK\$'000
<b>Issued and fully paid:</b>		
At 1 January 2016 and 30 June 2016	9,860,581	62,434,116



## Notes to the Financial Statements (Continued)

### 15. Capital Commitment

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Capital expenditure in respect of investment properties:		
Contracted but not provided for	<b>2,597,965</b>	4,860,392

### 16. Contingent Liabilities

At 30 June 2016, the Group had counter indemnities amounted to HK\$268,105,000 (31 December 2015: HK\$977,228,000) for guarantees issued in respect of certain construction contracts undertaken by the Group.

At 30 June 2016, the Group provided guarantees amounted to HK\$25,304,795,000 (31 December 2015: HK\$24,469,862,000) for the repayment of the mortgage bank loans granted to purchasers of the Group's properties.

At 30 June 2016, the Group also provided guarantees amounted to HK\$963,072,000 (31 December 2015: HK\$1,048,561,000) for the loan facilities granted by the banks to joint ventures, of which HK\$963,072,000 has been utilised by the joint ventures (31 December 2015: HK\$1,048,561,000).

The directors of the Company considered that the fair values of these financial guarantee contracts at their initial recognition and at the end of the reporting period are insignificant on the basis of short maturity periods and low applicable default rates.

## Notes to the Financial Statements (Continued)

### 17. Pledge of Assets

At the end of the reporting period, certain stock of properties and investment properties of the Group with an aggregate carrying value of approximately HK\$4,285,801,000 (31 December 2015: HK\$6,770,743,000) have been pledged to secure the bank borrowings of the Company's subsidiaries and a fellow subsidiary.

### 18. Related Party Transactions

- (a) In addition to those balances and transactions disclosed elsewhere in the condensed consolidated financial statements, the Group also had the following significant transactions with related parties during the period:

Nature of transaction	Notes	Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
<b>Fellow subsidiaries</b>			
Property development			
project construction fee	(a)	<b>1,236,123</b>	1,483,934
Rental income	(b)	<b>11,021</b>	6,671
Insurance fee	(c)	<b>89</b>	633
Security income	(a)	–	7,957
Heating pipes connection			
service cost	(a)	–	26,825
Building design			
consultancy income	(c)	–	1,877
Property management fee	(f)	<b>99,299</b>	–
Engineering service fee	(f)	<b>5,417</b>	–
<b>Holding companies</b>			
Interest expense	(g)	–	165,826
<b>Associates</b>			
Royalty income	(e)	<b>102,923</b>	72,341
Rental expenses	(b)	<b>8,323</b>	8,860
Property management income	(f)	–	1,329
<b>Joint ventures</b>			
Interest income	(d)	<b>26,016</b>	39,216
Property management income	(f)	–	11,966

## Notes to the Financial Statements (Continued)

### 18. Related Party Transactions (Continued)

(a) (Continued)

Notes:

- (a) *Property development project construction fee, security income and heating pipes connection service cost are charged by in accordance with respective contracts. The amounts represent aggregated transaction amounts during the period in relation to contracts signed in current and prior periods.*
- (b) *Rental income and expenses are charged in accordance with respective tenancy agreements.*
- (c) *Insurance fee and building design consultancy income are charged in accordance with respective contracts.*
- (d) *Interest income is charged at interest rates as specified on the outstanding amounts.*
- (e) *Royalty income is charged at annual fee as specified in the contracts.*
- (f) *Property management income, property management fee and engineering service fee are charged at rates in accordance with respective contracts.*
- (g) *The loans carry interest ranging from 5.04% to 5.54% per annum.*
- (b) The remuneration of the Company's directors and other members of key management of the Group during the period were as follows:

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Short-term benefits	53,557	43,621
Mandatory Provident Fund contribution	155	156
	<b>53,712</b>	<b>43,777</b>

### 19. Event After The Reporting Period

On 14 March 2016, the Company (as the purchaser and the guarantor), CITIC Pacific Limited and CITIC Corporation Limited (both wholly-owned subsidiaries of CITIC Limited, as the sellers) and CITIC Limited (as the guarantor) entered into a sale and purchase agreement (the "Sale and Purchase Agreement"), for the acquisition of the entire issued share capital of each of Tuxiana Corp. and CITIC Real Estate Group Company Limited (together with their respective subsidiaries, the "CITIC Target Group") and the outstanding loans and advance owing by the CITIC Target Group to CITIC Limited and its subsidiaries, subject to the terms and conditions in the Sale and Purchase Agreement (the "CITIC Property Acquisition"). The CITIC Target Group shall, upon completion of the relevant reorganisation, hold the residential-focused property development projects owned by CITIC Limited. The initial consideration of the CITIC Property Acquisition is RMB31 billion (equivalent to HK\$37.08 billion, subject to the adjustments as provided in the Sale and Purchase Agreement), and shall be satisfied through (i) an amount of HK\$29.72 billion to be settled by the allotment and issue of 1,095,620,154 shares of the Company at an issue price of HK\$27.13 per share at completion to the sellers; and (ii) an amount of RMB6.15 billion (equivalent to HK\$7.36 billion) to be settled by the transfer of a portfolio of properties at completion to the sellers.

The CITIC Property Acquisition was approved by the shareholders of the Company in the general meeting held on 20 July 2016. The completion of the CITIC Property Acquisition is subject to the fulfillment of the remaining conditions precedent.

### Interim Dividend

The Board declared the payment of an interim dividend for the six months ended 30 June 2016 of HK35 cents per share (2015: HK20 cents per share) to shareholders whose names appear on the register of members of the Company on Tuesday, 20 September 2016. The interim dividend will be payable on Wednesday, 5 October 2016.

### Closure of Register of Members

To ascertain the shareholders' entitlement to the interim dividend, the register of members of the Company will be closed on Tuesday, 20 September 2016, during which time no transfer of shares will be registered.

In order to qualify for the interim dividend, all properly completed and duly stamped transfer forms accompanied by the relevant share certificates should be lodged with the Company's registrar, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 19 September 2016.

### Share Capital

The Company's total number of issued shares as at 30 June 2016 was 9,860,581,381 ordinary shares.

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

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## Others (Continued)

### Directors' and Chief Executive's Interests in Securities

At 30 June 2016, the Directors, the Chief Executive of the Company and their respective associates 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers:

**(a) Long Positions in Shares and Underlying Shares of the Company**  
*(all being personal interest and being held in the capacity of beneficial owner)*

Name of director	Number of shares held	% of shares in issue (Note 1)
Mr. Hao Jian Min	3,353,172	0.0340%
Mr. Li Man Bun, Brian David	5,460,000	0.0554%

**(b) Long Positions in Shares and Underlying Shares of the Associated Corporation**  
*(all being personal interest and being held in the capacity of beneficial owner)*

Name of director	Number of shares held	% of shares in issue (Notes 3, 4 and 5)
— China State Construction Engineering Corporation Limited		
Mr. Zheng Xuexuan	360,000	0.001%
— China Overseas Property Holdings Limited		
Mr. Hao Jian Min	2,082,724	0.063%
Mr. Li Man Bun, Brian David	1,820,000	0.055%
— China Overseas Grand Oceans Group Limited		
Mr. Luo Liang	70,000	0.003%

**Directors' and Chief Executive's Interests in Securities** (Continued)

**(b) Long Positions in Shares and Underlying Shares of the Associated Corporation** (Continued)

Notes:

1. *The percentage has been adjusted, where applicable, based on the total number of shares of the Company in issue as at 30 June 2016 (i.e. 9,860,581,381 shares).*
2. *The percentage has been adjusted, where applicable, based on the total number of shares of China State Construction International Holdings Limited in issue as at 30 June 2016 (i.e. 4,488,139,261 shares).*
3. *The percentage has been adjusted, where applicable, based on the total number of shares of China State Construction Engineering Corporation Limited in issue as at 30 June 2016 (i.e. 30,000,000,000 shares).*
4. *The percentage has been adjusted based on the total number of shares of China Overseas Property Holdings Limited in issue as at 30 June 2016 (i.e. 3,286,860,460 shares).*
5. *The percentage has been adjusted, where applicable, based on the total number of shares of China Overseas Grand Oceans Group Limited in issue as at 30 June 2016 (i.e. 2,282,239,894 shares).*

Besides, Messrs. Xiao Xiao and Luo Liang held respectively 2,838,525 and 3,531,469 shares in China State Construction International Holdings Limited (“**CSCIHL**”), associated corporation of the Company, representing 0.063% and 0.079% of shares in issue of CSCIHL (particulars refer to Note 2 above). All of the shares of CSCIHL held by the directors are being personal interest and being held in the capacity of beneficial owner.

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 executive 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 for Securities Transactions by Directors of Listed Issuers or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein. Nor any of the directors and chief executive 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 of the Company and its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

## Others (Continued)

### Substantial Shareholders' Interests in Securities

At 30 June 2016, the following parties (other than directors or the chief executive of the Company) were the substantial shareholders of the Company (as defined in the Listing Rules) and had interests 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 shareholder	Number of shares and underlying shares held			% of shares in issue (Note 1)			Capacity
	(Long Position)	(Short Position)	(Lending Pool)	(Long Position)	(Short Position)	(Lending Pool)	
Silver Lot Development Limited ("Silver Lot")	509,136,928	-	-	5.16%	-	-	Beneficial owner
China Overseas Holdings Limited ("COHL") (Note 2)	5,523,986,255 509,136,928	280,124,096	-	56.02% 5.16%	2.84%	-	Beneficial owner Interest of controlled corporation
China State Construction Engineering Corporation Limited ("CSCECL") (Note 3)	6,033,123,183	280,124,096	-	61.18%	2.84%	-	Interest of controlled corporation
China State Construction Engineering Corporation ("CSCEC") (Note 3)	6,033,123,183	280,124,096	-	61.18%	2.84%	-	Interest of controlled corporation
JP Morgan Chase & Co.	139,684,314 150,189,269 301,299,173	15,871,725 - -	301,299,173 - -	5.99%	0.16%	3.05%	Beneficial owner Investment manager — Custodian corporation/ approved lending agent



### Substantial Shareholders' Interests in Securities (Continued)

Notes:

1. *The percentage has been adjusted based on the total number of shares of the Company in issue as at 30 June 2016 (i.e. 9,860,581,381 shares).*
2. *Silver Lot is a direct wholly owned subsidiary of COHL, thus COHL is deemed by the SFO to be interested in Shares (including long position, short position and lending pool (if any)) in which Silver Lot is or is taken to be interested.*
3. *COHL is a direct wholly owned subsidiary of CSCECL, which in turn is a direct non-wholly owned subsidiary of CSCEC, thus CSCECL and CSCEC are deemed by the SFO to be interested in Shares (including long position, short position and lending pool (if any)) in which COHL is or is taken to be interested.*

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

### Corporate Governance

The Company has complied throughout the six months ended 30 June 2016 with all the code provisions (except A.2.1, A.4.1, A.4.2 and A.6.7 as stated below) of the Corporate Governance Code ("**Code Provision**") from time to time as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with most of the recommended best practices contained therein.

*Code Provision A.2.1 — This Code Provision stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.*



## Others (Continued)

### Corporate Governance (Continued)

The Company has complied with the second part of this Code Provision (i.e. the division of responsibilities between the chairman and chief executive should be clearly established and set out in writing) throughout the period, but not the first part of this Code Provision.

During the six months ended 30 June 2016, Mr. Hao Jian Min (“**Mr. Hao**”) performed both the roles of the Chairman and the Chief Executive Officer of the Company. In allowing the two positions to be occupied by the same person, the Company has considered that both positions require in-depth knowledge and considerable experience of the Group’s business. Candidates with the requisite knowledge, experience and leadership are difficult to identify. If either of the positions is occupied by an unqualified person, the Group’s performance could be gravely compromised. Based on the experience and qualification of Mr. Hao, the Board believes that the vesting of two roles to Mr. Hao would continue to provide the Group with stable and consistent leadership and continue to allow for effective and efficient planning and implementation of long term business strategies. Besides, the Board believes that the balance of power and authority will not be impaired by such arrangement as it is adequately ensured by the Board which comprises experienced and high calibre individuals (including executive directors, non-executive director and independent non-executive Directors). The Board shall nevertheless review the structure from time to time and shall consider the appropriate adjustment should suitable circumstance arise.

*Code Provision A.4.1 — This Code Provision stipulates that non-executive directors should be appointed for a specific term, subject to re-election.*

*Code Provision A.4.2 — This Code Provision stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.*

### Corporate Governance (Continued)

The Articles of Association of the Company provides that:

- (a) any director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election, but shall not be taken into account in determining the directors who are to retire by rotation at such meeting; and
- (b) at each annual general meeting, one-third of the directors for the time being or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office, provided that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years at an annual general meeting of the Company.

The non-executive directors (as well as all other directors) of the Company are not appointed for a specific term as required by the first part of Code Provision A.4.1. All the directors of the Company are nevertheless subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company. The Articles of Association of the Company provides that directors appointed to fill a casual vacancy shall hold office only until the next following annual general meeting (not general meeting as specified in the first part of Code Provision A.4.2, thus not complied with the first part of Code Provision A.4.2) of the Company and shall then be eligible for re-election and every Director should be subject to retirement by rotation at least once every three years at an annual general meeting of the Company. As a result of which, every director are in fact has a specific term of three years (upto the date of annual general meeting) and thus is technically not in compliance with the first part of Code Provision A.4.1.



## Others (Continued)

### Corporate Governance (Continued)

*Code Provision A.6.7 — This Code Provision stipulates that independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.*

All the directors of the Company have given the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. The Company has not convened any general meeting, other than the annual general meeting, during the period under review and all the directors (including all the independent non-executive directors) except Mr. Zheng Xuexuan were present in the annual general meeting for exchanging views with the shareholders.

Due to commitment in the mainland China, Mr. Zheng Xuexuan was unable to attend the annual general meeting of the Company held on 6 May 2016. Thus, the Company has not complied with the whole Code Provision A.6.7.

### Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct on governing securities transactions by directors (the “**Securities Code**”) on terms no less exacting than that required under the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The directors have confirmed, following specific enquiry by the Company, that they have complied with the requirements set out in the Securities Code during the six months ended 30 June 2016.

### Changes in Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in Directors' information since the date of the 2015 Annual Report up to 22 August 2016 (the date of this Interim Report) are set out as below:

- Dr. FAN HSU Lai Tai, Rita was elected the Chairman of the council of Endeavour Education Centre Limited. Besides, COSCO Pacific Limited, of which Dr. Fan is an independent non-executive director, changed its name to COSCO SHIPPING Ports Limited.
- Mr. ZHENG Xuexuan has been appointed the Vice President of China State Construction Engineering Corporation Limited ("**CSCECL**") and has ceased to be the Deputy General Manager of CSCECL and the General Manager of the Human Resources Department of CSCECL.

### Review of Interim Report by Audit Committee

The Audit Committee of the Board of Directors has reviewed the Company's unaudited interim results for the six months ended 30 June 2016, and discussed with the Company's management regarding internal control and other important matters.

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