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 2017 中期報告

目錄

Contents

Board of Directors and Committees

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Yan Jianguo

EXECUTIVE DIRECTORS

Zhang Guiqing *Chief Executive Officer*
Wang Man Kwan, Paul
Yang Lin

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

Yan Jianguo
Zhang Guiqing
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
Yan Jianguo

* *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

Edmond Chong

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 2017)

Shares outstanding 2,282,239,894 shares

INVESTOR RELATIONS

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

PUBLIC RELATIONS

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

INTRODUCTION

I am pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2017. The Group's unaudited consolidated profit attributable to owners of the Company for the first half of 2017 was HK$712.1 million (the corresponding period in 2016: HK$630.0 million), representing an increase of 13.0% over the corresponding period last year.

In the first half of the year, the Chinese economy has continued to grow steadily and the exchange rates of Renminbi ("RMB") were stable basically. The property market remained stable in general as well, amidst cooling measures were launched by the Central Government in the cities where the property markets were overheat.

The integration of the operations for the property portfolio acquired from China Overseas Land & Investment Limited ("COLI") in December 2016 progressed satisfactorily during the period. Riding on the strong sales momentum last year, the Group kept on increasing its marketing efforts and unveiling promotional campaigns to further boost property sales. In addition to accelerate sales, the Group also continued to enhance the quality of its property projects in order to meet the customers' needs.

Stick firmly to its prudent investment principle, the Group monitored land acquisition opportunities in the market closely and acquired projects with reasonable returns to lay the foundation for persisted growth. In the first half of the year, the Group extended its footprint to Xining, a city in Qinghai province with high growth potential, and successfully purchased a total of four parcels of land in Hefei, Yancheng and Xining with total development area of 1,197,295 square meter (sq.m.) (attributable to the Group: 1,197,295 sq.m.). As at 30 June 2017, total land bank of the Group and its associates and joint ventures in China reached 17,839,500 sq.m., of which, 559,800 sq.m. is held by associates and joint ventures. The land bank attributable to the Group (including the interests in associates and joint ventures) is 16,631,300 sq.m..

RESULTS

For the first half year ended 30 June 2017, contracted property sales of the Group and its associates and joint ventures was HK$18,473.0 million (the corresponding period in 2016: HK$11,501.0 million), for an aggregated area of 1,735,900 sq.m. (the corresponding period in 2016: 1,374,400 sq.m.), (in which, HK$3,408.7 million for an aggregated area of 195,400 sq.m. (the corresponding period in 2016: nil) was contributed from associates and joint ventures) representing an increase of 60.6% and 26.3% respectively against the same period last year. As at 30 June 2017, the balance of preliminary sales pending the completion of sales and purchase agreements was HK$1,372.0 million (30 June 2016: HK$638.0 million) for an aggregated area of 103,200 sq.m. (30 June 2016: 44,500 sq.m.).

RESULTS *(continued)*

Despite the Group attained a turnover of HK$9,029.2 million (the corresponding period in 2016: HK$10,287.3 million) for the period, representing a drop of 12.2% over the corresponding period last year, profit attributable to owners of the Company for the period reached HK$712.1 million (the corresponding period in 2016: HK$630.0 million), 13.0% higher than the same period last year. Basic earnings per share was also up 13.0% comparing with the corresponding period last year, to HK31.2 cents (the corresponding period in 2016: HK27.6 cents).

INTERIM DIVIDEND

After reviewing the result performance for the period and working capital requirements for the Group's future expansion of its business, the Board declared an interim dividend of HK1 cent per share (the corresponding period in 2016: nil).

PROSPECTS

The Economy

The global economic picture turned better in the first half of 2017. Thanks to the results of general elections in France and Dutch, the fears of political instability in Europe eased significantly which benefited the picking up of the economy in Eurozone. For the United States, amid gradual growth of the economy, the Federal Reserve Board has continued normalization of interest rate and raised the federal funds rate twice in the first two quarters of the year. The sentiment towards the economic recovery of Japan also improved during the period. However, the Federal Reserve Board planned to begin implementing balance sheet normalization program later this year which may impact the pace of recovery of global economy. Further, with the increasing threats from geopolitical events, anti-globalism and trade protectionism, the development of world economy is still not certain and the operating environment is still complicated and fast-changing and full of challenges.

Amid the economic transformation of China, instead of deploying massive stimulus measures or following the investment-driven and resources-reliant path, the Central Government strived to undertake structural reform and provide the market with clear and stable expectations. The continuous implementation of proactive fiscal policy and prudent monetary policy maintained stable macro-economic environment while the deepening of the supply-side structural reforms, streamlining administration, widening market access and creating a level playing field for business by the government also provided impetus for healthy economic development. Although short-term and small fluctuations of economic indicators would be inevitable during the transition period, the growth of Chinese economy will become more stable and sustainable with the on-going transformation and upgrade of the economic and industrial structure.

PROSPECTS *(continued)*

Real Estate Development

In order to contain runaway housing prices and quash potential asset bubbles, the Central Government has rolled out restrictive measures on home purchases and increased minimum down payments required for mortgages in cities where the property markets were overheat. The cooling measures were introduced in major cities initially but were spread to second and third tier cities gradually in an attempt to control the spillover effect that would lead to irrational speculations in these cities.

The implementation of the controlling policies stabilized market sentiment and minimized wild volatility of property prices. Furthermore, the continual advancement of the economic structural reform, progress in the urbanization as well as the efforts of the government to develop a market-oriented long-term mechanism would further facilitate the establishment of a stable and healthy property market with sustainable growth.

Group Strategy

The Group is committed to become a high-growth star property developer of the highest potential in the residential property market in China. Fully embraced the government's urbanization and long-term housing policy, the Group will continue to focus on the emerging cities with best investment value and growth potentials, and stick to the position of offering middle to high-end product ranges.

While firmly adhere to its prudent investment strategy, the Group closely monitors the development of property market and is dedicated to enlarge its operating scale and speed up the pace of development in an orderly manner. The acquisition of property portfolio and operations from COLI in December 2016 marked a significant push of the Group in deepening its presence in some existing cities and expanding into new cities with high growth potential. As a leading property developer in the market, the Group believes that it is of paramount importance to build up and maintain a high quality land bank at competitive prices in order to maximize shareholders' returns in long term. As at 30 June 2017, the Group held a land bank distributed in 20 cities. At appropriate and sustainable capital and debt structure, the Group would continue to seek for business opportunities with investment value and good returns. For right property projects, the Group would also explore to develop jointly with reliable business partners to expand its businesses and broaden its earnings base.

PROSPECTS *(continued)*

Group Strategy *(continued)*

Built on the standardized management systems, the Group would continue to enhance its operating processes, reinforce its internal controls and tighten cost controls in response to rapid changes in market and regulatory environment. In order to deal with the increasing expectations of the customers and market competition, the management strives to further perfect the customer services, broaden the range of property products, optimize the project development cycle and enhance the quality of the properties.

To cope with the ever-changing market environment, the Group is devoted to evolve new marketing methodologies and strategies, speed up sales programs and promote the sell-through rate of the inventory. The Group is determined to extend its competitive edge and secure its leading position in the market.

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

The Group regards talent capital amongst the critical factors to success and continuous development of its business. The Group is committed to offer comprehensive training and career progression opportunities for staff motivation and retention.

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.

Yan Jianguo
Chairman and Non-executive Director

Hong Kong, 10 August 2017

REVENUE AND OPERATING RESULTS

In the first half year, the China property market remained stable in general. Under the government's strategy of adoption of different policies in different cities as appropriate to their local conditions, the property market of certain cities where the Group has property development projects has been active. The Group successfully completed the acquisition of a wholly owned subsidiary of COLI in December 2016 for its underlying property portfolio which mainly comprised property development projects (residential, commercial, etc.) at various development stages in seven cities in China and the integration works progressed smoothly during the period. With the additional sales effort and driven by the aforesaid acquisition, the contracted property sales for the first half year reached HK$18,473.0 million, increased by 60.6% against the same period last year, in which, HK$3,408.7 million (the corresponding period in 2016: nil) was contributed from associates and joint ventures. However, considering the properties handover schedule, the Group's revenue for the six months ended 30 June 2017 reached HK$9,029.2 million, dropped by 12.2% against the corresponding period last year. Nevertheless, gross profit for the period was HK$1,890.6 million, 1.5% higher than the same period last year as gross profit margin increased by 2.8% to 20.9%. Increased gross profit margin compared with last corresponding period was mainly thanks to stable market environment and rejuvenation of property market in the cities where Group had a foothold.

For better presentation, staff costs of HK$76.6 million of last corresponding period was reclassified from administrative expenses to distribution and selling expenses. Despite the surge of contracted property sales compared with the corresponding period last year, distribution and selling expenses for the period decreased by HK$48.4 million against the adjusted expenses of same period last year. Hence, the ratio of distribution and selling expenses to the Group's contracted property sales improved from 2.9% (after adjustment) to 1.9% for the current period. On the other hand, administrative expenses for the period, increased by HK$69.7 million against the adjusted expenses of same period last year as driven by the enlarged operating scale after the aforesaid acquisition. The ratio of the administrative expenses to revenue increased by 1.0% to 2.8% compared with the last corresponding period (after adjustment), mainly due to the rise of administrative expenses and lower revenue recognized in the period as affected by the properties handover schedule. The Group continued to exercise stringent controls over the overhead costs.

Same as the last corresponding period, no fair value adjustment was recognized in respect of the investment properties in the period. Sales of the China Overseas Building located in Jilin, in form of sub-units, continued and the units were handover to the buyers gradually during the period. As such, the Group recognized a profit before taxation of HK$214,000 from the disposal.

REVENUE AND OPERATING RESULTS *(continued)*

In arranging a three-year term bank borrowing of US$40.0 million during the period, the Group has entered into a three-year term interest rate swap contract with notional amount of US$40.0 million with the borrowing bank to swap the interest rate from floating basis of 3-month London Interbank Offered Rate plus 1.515% to fixed rate at 3.2% per annum. The interest rate swap contract has been recognized as a derivative financial instrument and its fair value change of HK$492,000 was recognized in income statement for the period.

Driven by a rise in gross profit, operating profit amounted to HK$1,409.4 million for the current period under review, a mild increase of 1.1% comparing with the same period last year.

The Group financed the payment of consideration for the aforesaid acquisition through bank borrowings and also took up certain interest-bearing liabilities in the aforesaid acquisition. Therefore, total interest expenses increased by HK$218.2 million to HK$587.4 million from HK$369.2 million of last corresponding period. Finance costs slightly increased to HK$15.5 million from HK$12.8 million of last corresponding period, after capitalization of HK$571.9 million to the on-going development projects.

Income tax expenses comprised enterprise income tax and land appreciation tax. The income tax expenses reduced by HK$68.2 million compared with the last corresponding period, mainly due to higher land appreciation tax levied last year as driven by the profit recognition from the project in Beijing with higher profit margin during the last corresponding period while lower profit was recognized from this project this period.

For the half year ended 30 June 2017, profit attributable to owners of the Company amounted to HK$712.1 million (the corresponding period in 2016: HK$630.0 million), an increase of 13.0% 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. In the first half year, the Group extended its footprint to Xining, a city in Qinghai province with high growth potential, and successfully purchased a total of four parcels of land in Hefei, Yancheng and Xining with total development area of 1,197,295 sq.m. (attributable to the Group: 1,197,295 sq.m.). As at 30 June 2017, total land bank of the Group and its associates and joint ventures available to build gross floor area, including the projects acquired from COLI as mentioned above, is approximately 17,839,500 sq.m. in 20 cities in China, of which, 559,800 sq.m. is held by associates and joint ventures. The gross floor area attributable to the Group (including the interests in associates and joint ventures) is 16,631,300 sq.m..

The Group continues to monitor market opportunities of its existing cities and explore into new cities in China with growth potential and best investment value.

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 2017, contracted property sales of the Group and its associates and joint ventures amounted to HK$18,473.0 million, for an aggregated area of 1,735,900 sq.m., (in which, HK$3,408.7 million for an aggregated area of 195,400 sq.m. (the corresponding period in 2016: nil) was contributed from associates and joint ventures) representing an increase of 60.6% and 26.3% respectively against the same period last year and of which, HK$3,204.6 million was contributed by the properties portfolio acquired from COLI last year. As at 30 June 2017, the balance of preliminary sales pending the completion of sales and purchase agreements was HK$1,372.0 million (30 June 2016: HK$638.0 million) for an aggregated area of 103,200 sq.m. (30 June 2016: 44,500 sq.m.).

SEGMENT INFORMATION *(continued)*

Property Sales and Development *(continued)*

Contracted property sales from major projects during the half year ended 30 June 2017:

City	Name of project	Saleable Gross Floor Area (sq.m.)	Amount (HK$ Million)
Shantou	The Arch*/La Cite	328,018	3,988.3
Nanning	International Community/ Royal Lakefront	169,501	1,652.8
Nantong	The Aqua	187,695	1,537.6
Huizhou	CITIC Harbour City/ CITIC Triumph Town	120,356	1,350.8
Ganzhou	International Community	94,721	1,239.7
Yangzhou	Yangzhou Jiajing/ The Grand Canal	118,521	1,108.2
Hefei	Central Mansion*	43,047	1,103.2
Lanzhou	China Overseas Plaza/ Dynasty Court/Glorioushire	88,857	1,011.9
Changzhou	The Phoenix/Dragon Bay	86,832	1,001.1
Jilin	International Community	118,790	793.4

* These projects are held by the joint ventures of the Group

As at 30 June 2017, construction works for 1,068,100 sq.m. of the Group were completed (the corresponding period in 2016: 1,122,100 sq.m.) and of which, about 94% were sold out. Coupled with stock sales, recognized revenue was HK$8,904.0 million (the corresponding period in 2016: HK$10,192.6 million), a decrease of 12.6% comparing with the same period last year. Excluding the RMB currency translation effect, the recognized revenue decreased by 8.2% compared with the last corresponding period as affected by the properties handover schedule. Same as last year, the revenue for the current period was mainly recognized from the sales of high-rise residential projects.

SEGMENT INFORMATION *(continued)*

Property Sales and Development *(continued)*

Besides, around 8% of the revenue for the period was generated from the properties portfolio acquired from COLI last year. The gross profit realized from these projects was minimal as most of the units were at the pre-sold stage at the completion of the acquisition and their costs were marked to the fair value. However, benefit from the increase in selling prices of the other properties handover during the period, the gross profit margin for the period grew to 20.3% from 17.4% of the last corresponding period. Hence, the segment result reached HK$1,347.9 million (the corresponding period in 2016: HK$1,340.2 million) for the period.

On the other hand, in relation to the reform program to replace business tax with a value-added tax for the real estate development industry imposed from the first of May 2016, a significant portion of the revenue for the period was still recognized from the sales levied with business tax. Thus, 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.

Recognized revenue from major projects during the half year ended 30 June 2017:

City	Name of project	Saleable Gross Floor Area (sq.m.)	Amount (HK$ Million)
Nanning	International Community	153,999	1,182.2
Yancheng	The Arch/The Century	139,265	945.7
Hefei	The Lagoon	87,106	890.2
Shantou	East Coast	64,819	867.1
Shaoxing	Century Manor	110,076	774.4
Lanzhou	Glorioushire	92,757	762.8
Beijing	Maple Palace	6,620	465.0
Changzhou	The Phoenix/Dragon Bay	37,453	445.2
Weifang	Da Guan Tian Xia	42,277	305.6
Yangzhou	The Grand Canal/Imperial No.9	20,382	298.9
Jilin	International Community	42,969	263.9

In addition to the above, The Glorious (previously named as "South City New District Project") at Yancheng had commenced the construction work during the period.

SEGMENT INFORMATION *(continued)*

Property Sales and Development *(continued)*

At period end, properties under construction and stock of completed properties of the Group amounted to 6,516,400 sq.m. and 896,300 sq.m. respectively, totaling 7,412,700 sq.m.. Properties of 2,969,300 sq.m. had been contracted for sales and were pending for completion of the transactions upon handover.

Property Leasing

The leasing business remained stable in general. For the period ended 30 June 2017, rental income amounted to HK$98.8 million (the corresponding period in 2016: HK$94.7 million), a rise of 4.3% comparing with the same period last year, mainly driven by increase of average rental rate. However, factoring in the increase of the property tax levied, the segment profit decreased by HK$8.5 million to HK$69.9 million from HK$78.4 million of the same period last year. Contribution from a joint venture amounted to HK$2.2 million (the corresponding period in 2016: HK$2.7 million).

At period end, the occupancy rates for China Overseas International Center in Xicheng District, Beijing and the scientific research office building in Zhang Jiang High-tech Zone in Shanghai were about 89% and 98% respectively. The Group fully owns the Beijing property while it owns 65% of the Shanghai project. Moreover, to speed up the payback from investment, the Group continued the sales of China Overseas Building in Jilin in the form of sub-units and approximate 70% of the gross floor area was already handover.

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 2017, net working capital amounted to HK$32,931.4 million (31 December 2016: HK$28,304.7 million), with a quick ratio of 0.6 (31 December 2016: 0.6).

FINANCIAL RESOURCES AND LIQUIDITY *(continued)*

During the six months ended 30 June 2017, the Group secured new credit facilities of approximately HK$7,969.5 million from leading financial institutions. After taking into account drawdowns of HK$6,463.6 million, repayment of loans of HK$3,927.5 million and increase of HK$209.4 million due to translation of RMB loan during the period, total bank and other borrowings (exclude the guaranteed notes payable of HK$3,152.4 million) increased by HK$2,745.5 million to HK$22,719.1 million as compared to the end of last year, mainly attributed to the settlement of the consideration for the aforesaid acquisition by bank borrowing. Of the total bank and other borrowings, RMB loan amounted to RMB6,654.0 million (equivalent to HK$7,666.7 million) while the Hong Kong Dollar loan and US Dollar loan amounted to HK$11,293.1 million and HK$3,759.3 million respectively. As at period end, interests of borrowings amounted to HK$2,754.4 million were charged at fixed rate from 3.4% to 7.2% while the remaining borrowings of HK$19,964.7 million were charged at floating rates with a weighted average of 3.45% per annum. About 78.6% of bank and other 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$3,152.4 million as at 30 June 2017.

Also, properties sales for the period increased significantly and sales deposits collection was satisfactory. However, after the payments for land acquisitions and repayment to COLI and its subsidiaries for certain payables arising from the aforesaid acquisition, cash and bank balances plus restricted cash and deposits were at a total of HK$20,545.2 million (31 December 2016: HK$20,820.5 million), slightly decreased by 1.3% compared with the last financial year end. Of which, 97.3% 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 44.2% as at 30 June 2017 (31 December 2016: 22.1%). With a solid financial position, the management considers that the Group can steadily expand its operation scale under such net gearing ratio.

Taking into consideration of the unutilized bank credit facilities available to the Group of HK$5,176.6 million, the Group's total available funds (including restricted cash and deposits of HK$5,047.9 million) reached HK$25,721.8 million as at 30 June 2017.

FINANCIAL RESOURCES AND LIQUIDITY *(continued)*

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. The Group regularly re-evaluates its operational and investment status, monitors the financial market and explores 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. As at 30 June 2017, about 29.6% and 70.4% (31 December 2016: 24.8% and 75.2%) 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 appreciated around 3.1% in the period and accordingly, the net asset value of the Group increased by HK$978.0 million which arose from currency translation.

Except for the aforesaid interest rate swap contract, the Group has not entered into any financial derivatives for hedging or speculative purpose during the period. 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.

COMMITMENTS AND GUARANTEE

As at 30 June 2017, the Group had commitments totaling HK$8,463.6 million which related mainly to land premium, property development and construction works. In addition, the Group issued guarantees to banks amounting to HK$31,548.3 million (equivalent to RMB27,381.0 million) in aggregate, for facilitating end-user mortgages in connection with its property sales in China as a usual commercial practice and credit facilities granted to an associate.

CAPITAL EXPENDITURE AND CHARGES ON ASSETS

The Group had capital expenditures totaling HK$1.6 million approximately during the current period, mainly referred to additions in furniture, fixtures and office equipment.

On the other hand, as at 30 June 2017, certain property projects in China with aggregate carrying value of HK$2,586.5 million were pledged to obtain HK$751.8 million (equivalent to RMB652.5 million) of secured borrowings from certain banks in China for certain property development projects.

EMPLOYEES

As at 30 June 2017, the Group has 1,825 employees (31 December 2016: 1,622). 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 2017 and the comparative figures for the corresponding period in 2016 are as follows:

	Notes	Six months ended 30 June 2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000 (Restated)
Revenue	4	**9,029,187**	10,287,267
Cost of sales and services provided		**(7,138,608)**	(8,424,971)
Gross profit		**1,890,579**	1,862,296
Other income	6	**67,008**	56,163
Distribution and selling expenses		**(288,433)**	(336,857)
Administrative expenses		**(256,816)**	(187,095)
Other operating expenses		**(2,690)**	(746)
Other gains/(losses)			
Gain on disposal of investment properties		**214**	–
Change in fair value of a derivative financial instrument	18	**(492)**	–
Operating profit		**1,409,370**	1,393,761
Finance costs	7	**(15,500)**	(12,820)
Share of results of associates		**(1,198)**	–
Share of results of joint ventures		**(13,163)**	2,505
Profit before income tax	8	**1,379,509**	1,383,446
Income tax expense	9	**(672,920)**	(741,100)
Profit for the period		**706,589**	642,346
Profit/(Loss) for the period attributable to:			
Owners of the Company		**712,076**	630,003
Non-controlling interests		**(5,487)**	12,343
		706,589	642,346
		HK Cents	HK Cents
Earnings per share	11		
Basic		**31.2**	27.6
Diluted		**31.2**	27.6

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit for the period	**706,589**	642,346
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of overseas operations		
— subsidiaries	**963,567**	(526,300)
— associates	**2,182**	–
— joint ventures	**12,294**	(4,371)
Other comprehensive income for the period, net of tax	**978,043**	(530,671)
Total comprehensive income for the period	**1,684,632**	111,675
Total comprehensive income attributable to:		
Owners of the Company	**1,666,798**	110,007
Non-controlling interests	**17,834**	1,668
	1,684,632	111,675

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Non-current assets			
Investment properties		**2,559,111**	2,485,859
Property, plant and equipment	12	**936,378**	927,519
Prepaid lease rental on land		**318,106**	312,979
Intangible assets		**10,052**	11,919
Interests in associates		**72,815**	71,831
Interests in joint ventures		**428,971**	376,844
Available-for-sale financial assets		**2,066**	2,005
Deferred tax assets		**313,388**	345,751
		4,640,887	4,534,707
Current assets			
Inventories of properties		**49,974,827**	49,011,793
Other inventories		**2,032**	2,126
Trade and other receivables, prepayments and deposits	13	**8,522,728**	5,453,154
Prepaid lease rental on land		**9,209**	8,935
Amounts due from associates		**3,649**	65
Amounts due from joint ventures		**146,009**	315,741
Amounts due from non-controlling interests		**290,217**	235,631
Tax prepaid		**1,377,567**	971,064
Restricted cash and deposits		**5,047,915**	5,662,322
Cash and bank balances		**15,497,250**	15,158,177
		80,871,403	76,819,008
Current liabilities			
Trade and other payables	14	**9,365,725**	10,352,386
Sales deposits received		**24,826,070**	19,740,276
Amounts due to associates		**210,400**	186,832
Amount due to a joint venture	15	**178,546**	–
Amounts due to non-controlling interests		**802,592**	886,353
Amounts due to related companies		**6,107,309**	8,641,033
Consideration payable for acquisition	16	**–**	1,912,695
Taxation liabilities		**1,577,526**	1,506,114
Borrowings	17	**4,871,842**	5,288,669
		47,940,010	48,514,358
Net current assets		**32,931,393**	28,304,650
Total assets less current liabilities		**37,572,280**	32,839,357

Condensed Consolidated Statement of Financial Position *(continued)*

	Notes	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Non-current liabilities			
Borrowings	17	**17,847,278**	14,684,942
A derivative financial instrument	18	**492**	–
Guaranteed notes payable	19	**3,152,359**	3,148,508
Deferred tax liabilities		**3,747,864**	3,820,607
		24,747,993	21,654,057
Net assets		**12,824,287**	11,185,300
Capital and reserves			
Share capital	20	**2,144,018**	2,144,018
Reserves		**9,899,062**	8,277,909
Equity attributable to owners of the Company		**12,043,080**	10,421,927
Non-controlling interests		**781,207**	763,373
Total equity		**12,824,287**	11,185,300

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company							
	Share Capital HK$'000	Translation reserve HK$'000	Assets revaluation reserve HK$'000	Statutory reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2016 (Audited)	2,144,018	(774,496)	31,749	817,466	8,954,014	11,172,751	637,086	11,809,837
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)
Total comprehensive income for the period	–	(519,996)	–	–	630,003	110,007	1,668	111,675
At 30 June 2016 (Unaudited)	2,144,018	(1,294,492)	31,749	817,466	9,584,017	11,282,758	638,754	11,921,512
At 1 January 2017 (Unaudited)	**2,144,018**	**(2,425,563)**	**31,749**	**890,558**	**9,781,165**	**10,421,927**	**763,373**	**11,185,300**
Net profit/(loss) for the period	**–**	**–**	**–**	**–**	**712,076**	**712,076**	**(5,487)**	**706,589**
Other comprehensive income for the period	**–**	**954,722**	**–**	**–**	**–**	**954,722**	**23,321**	**978,043**
Total comprehensive income for the period	**–**	**954,722**	**–**	**–**	**712,076**	**1,666,798**	**17,834**	**1,684,632**
2016 final dividend approved (note 10)	**–**	**–**	**–**	**–**	**(45,645)**	**(45,645)**	**–**	**(45,645)**
Transactions with owners	**–**	**–**	**–**	**–**	**(45,645)**	**(45,645)**	**–**	**(45,645)**
At 30 June 2017 (Unaudited)	**2,144,018**	**(1,470,841)**	**31,749**	**890,558**	**10,447,596**	**12,043,080**	**781,207**	**12,824,287**

Condensed Consolidated Statement of Cash Flows

	Notes	Six months ended 30 June 2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000
Net cash from operating activities		**2,318,589**	4,394,047
Investing activities			
Interest received		**58,034**	48,002
Purchase of property, plant and equipment	12	**(1,636)**	(1,079)
Capital contribution to a joint venture		**(52,996)**	(159,396)
Increase in amounts due from associates		**(3,518)**	–
Decrease in amounts due from joint ventures		**176,196**	–
Proceeds from disposal of property, plant and equipment		**203**	2,807
Proceeds from disposal of investment properties		**3,180**	–
Increase in short-term time deposits with maturity beyond three months but within one year		**(4,561)**	(594,554)
Settlement of consideration for acquisition	16	**(1,912,695)**	–
Net cash used in investing activities		**(1,737,793)**	(704,220)
Financing activities			
New borrowings	17	**6,463,554**	3,911,141
Repayment of borrowings	17	**(3,927,465)**	(5,327,023)
Finance costs paid		**(547,167)**	(365,011)
Decrease in amounts due to non-controlling interests		**(108,963)**	–
Increase in amounts due to associates		**17,515**	–
Increase in amount due to a joint venture		**175,338**	–
Decrease in amounts due to related companies		**(2,766,520)**	–
Net cash used in financing activities		**(693,708)**	(1,780,893)
Net (decrease)/increase in cash and cash equivalents		**(112,912)**	1,908,934
Cash and cash equivalents at the beginning of period*		**14,594,755**	9,689,637
Effect of foreign exchange rate changes on cash and cash equivalents		**430,053**	(228,432)
Cash and cash equivalents at the end of period		**14,911,896**	11,370,139
Analysis of balances of cash and cash equivalents:			
Cash and bank balances as stated in the condensed consolidated statement of financial position		**15,497,250**	11,968,354
Less: Short-term time deposits with maturity beyond three months but within one year		**(585,354)**	(598,215)
Cash and cash equivalents at the end of period		**14,911,896**	11,370,139

* Cash and bank balances as stated in the condensed consolidated statement of financial position as at 31 December 2016 included short-term time deposits with maturity beyond three months but within one year in amount of HK$563,422,000.

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 Ganzhou, Hefei, Huizhou, Lanzhou, Nanning, Nantong, Shantou and Yangzhou.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2017 (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 2016.

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

The financial information relating to the year ended 31 December 2016 that is included in this half-year interim report 2017 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial 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 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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 10 August 2017.

2. PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Statements have been prepared under the historical cost basis except for investment properties and derivative financial instruments, which are stated at fair value.

The directors have revisited the nature of certain staff costs and consider that it is more appropriate to classify those staff costs under distribution and selling expenses instead of administrative expenses. Accordingly, the comparatives in the condensed consolidated income statement have been restated to reclassify staff costs amounting to HK$76,614,000 from administrative expenses to distribution and selling expenses to conform to current period's presentation.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date when a derivative contract is entered into and are subsequently re-measured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Income tax

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

Save as described in above and 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 2016, as described in those annual financial statements.

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:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealized Losses

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

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 2017 and have not been early adopted by the Group:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019

HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

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

HKFRS 16 Leases *(continued)*

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$70,010,000. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16. According to existing information, the directors do not expect that the new standard to have a material impact on the results and the financial position of the Group.

The Group has not applied any new or revised standards that have been issued but are not yet effective for the current accounting period. Save as above, the Group is also in the process of making an assessment of the potential impacts of these new or revised HKFRSs.

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:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Sales of properties	**8,904,036**	10,192,576
Property rental income	**98,789**	94,691
Hotel and other services income	**26,362**	–
Total revenue	**9,029,187**	10,287,267

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 associates and joint ventures.
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 engages in hotel operations and generates service fee income in relation to hotel operation and other ancillary services. The Group acquired the businesses of hotel operation and other ancillary services in December 2016, thus no financial information of this segment was reported for the six months ended 30 June 2016.

5. SEGMENT INFORMATION *(continued)*

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. Segment revenue represents revenue from external customers and there were no inter-segment sales between different operating segments. Segment profit/loss includes the Group's share of profit/loss arising from the activities of the Group's associates and joint ventures. Reportable segment profit/loss excludes corporate income and expenses, finance costs and change in fair value of a derivative financial instrument from the Group's profit/loss before income tax. Corporate income and expenses are income and expenses incurred by corporate headquarters which are not allocated to the operating segments. Each of the operating segments is managed separately as the resources requirement of each of them is different.

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

Segment liabilities include trade and other payables, accrued liabilities, amounts due to associates, joint ventures and 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 borrowings, amounts due to related companies, consideration payable for acquisition, a derivative financial instrument and guaranteed notes payable that are managed on a group basis.

5. SEGMENT INFORMATION *(continued)*

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

	Property investment and development HK$'000	Property leasing HK$'000	Other segment HK$'000	Consolidated HK$'000
Six months ended 30 June 2017 (Unaudited)				
Reportable segment revenue	8,904,036	98,789	26,362	9,029,187
Reportable segment profit/(loss)	1,347,915	69,943	(2,324)	1,415,534
Corporate income				436
Change in fair value of a derivative financial instrument				(492)
Finance costs				(15,500)
Other corporate expenses				(20,469)
Profit before income tax				1,379,509
As at 30 June 2017 (Unaudited)				
Reportable segment assets	79,901,233	2,842,074	513,678	83,256,985
Tax assets				1,690,955
Corporate assets ^				564,350
Total consolidated assets				85,512,290
As at 30 June 2017 (Unaudited)				
Reportable segment liabilities	35,213,450	87,464	8,660	35,309,574
Tax liabilities				5,325,390
Borrowings				22,719,120
Amounts due to related companies				6,107,309
Guaranteed notes payable				3,152,359
A derivative financial instrument				492
Other corporate liabilities				73,759
Total consolidated liabilities				72,688,003

5. SEGMENT INFORMATION *(continued)*

	Property investment and development HK$'000	Property leasing HK$'000	Other segment HK$'000	Consolidated HK$'000
Six months ended 30 June 2016 (Unaudited)				
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
As at 31 December 2016 (Audited)				
Reportable segment assets	76,247,871	2,748,957	491,353	79,488,181
Tax assets				1,316,815
Corporate assets^				548,719
Total consolidated assets				81,353,715
As at 31 December 2016 (Audited)				
Reportable segment liabilities	31,025,345	80,097	15,896	31,121,338
Tax liabilities				5,326,721
Borrowings				19,973,611
Amounts due to related companies				8,641,033
Consideration payable for acquisition				1,912,695
Guaranteed notes payable				3,148,508
Other corporate liabilities				44,509
Total consolidated liabilities				70,168,415

^ Corporate assets as at 30 June 2017 included cash and bank balances amounting to HK$562,185,000 (31 December 2016: HK$403,248,000) which were managed on a group basis.

6. OTHER INCOME

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Total interest income on financial assets not at fair value through profit or loss:		
Bank deposits	**58,034**	48,002
Sundry income	**8,974**	8,161
	67,008	56,163

7. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interests on borrowings, guaranteed notes payable and others (note)	**476,106**	369,232
Interests on amounts due to related companies	**111,316**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**587,422**	369,232
Less: Amount capitalized	**(571,922)**	(356,412)
	15,500	12,820

Note: For the six months ended 30 June 2017, the amounts included interests on amounts due to associates and non-controlling interests of HK$7,053,000 (six months ended 30 June 2016: nil) and HK$2,168,000 (six months ended 30 June 2016: HK$1,292,000) respectively.

8. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Amortization:		
Prepaid lease rental on land	**4,395**	84
Intangible assets#	**2,194**	2,304
Depreciation of property, plant and equipment	**14,303**	4,784
Total amortization and depreciation	**20,892**	7,172
Loss/(Gain) on disposal of property, plant and equipment	**35**	(1,605)
Staff costs	**270,740**	205,503
Net foreign exchange loss *	**6,117**	6,258

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

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

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current tax for the period		
Other regions of the PRC		
— Enterprise income tax ("EIT")	**539,397**	462,015
— Land appreciation tax ("LAT")	**282,641**	447,403
	822,038	909,418
Deferred tax	**(149,118)**	(168,318)
	672,920	741,100

For the six months ended 30 June 2017, 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 2016: nil).

EIT arising from other regions of the PRC is calculated at 25% (six months ended 30 June 2016: 25%) on the estimated assessable profits.

PRC LAT is levied at progressive rates from 30% to 50% (six months ended 30 June 2016: 30% to 60%) 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 has declared that an interim dividend of HK$0.01 (six months ended 30 June 2016: nil) per share, amounting to HK$22,822,000 (six months ended 30 June 2016: nil), will be paid to the shareholders of the Company whose names appear in the Register of Members on 1 September 2017.

At the reporting date, a dividend of HK$0.02 per share, amounting to HK$45,645,000 was recognized as a liability (note 14) as the final dividend for the financial year ended 31 December 2016. As at 30 June 2016, no dividend was recognized as a liability as the final dividend for the financial year ended 31 December 2015.

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	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Earnings used in calculating basic and diluted earnings per share	**712,076**	630,003

Weighted average number of ordinary shares

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	'000	'000
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	**2,282,240**	2,282,240

Diluted earnings per share were the same as the basic earnings per share for the six months ended 30 June 2017 and 2016 as there were no dilutive potential ordinary shares in existence during both periods.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group incurred capital expenditure of approximately HK$1,572,000 (six months ended 30 June 2016: HK$544,000) in furniture, fixtures and office equipment and approximately HK$64,000 (six months ended 30 June 2016: HK$535,000) in motor vehicles.

13. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Trade receivables	**64,924**	85,321
Less: Allowance for impairment of trade receivables (note (b))	**–**	(3,344)
Trade receivables, net (note (a))	**64,924**	81,977
Other receivables	**1,763,692**	1,949,673
Prepayments and deposits	**6,701,026**	3,436,110
Less: Allowance for impairment of other receivables (note (c))	**(6,914)**	(14,606)
	8,522,728	5,453,154

Notes:

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

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
30 days or below	**1,093**	1,452
31–60 days	**–**	112
61–90 days	**–**	999
91–180 days	**29**	2,090
181–360 days	**1,318**	53,250
Over 360 days	**62,484**	24,074
	64,924	81,977

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

Notes: *(continued)*

(a) *(continued)*

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 ageing analysis of overdue trade receivables not considered impaired, based on past due date, at the end of the reporting period is as follows:

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
181–360 days	**–**	44,375
Over 360 days	**46,504**	3,056
	46,504	47,431

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.

(b) The movement in the allowance for impairment of trade receivables during the period/year is as follows:

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Carrying amount at the beginning of the period/year	**3,344**	–
Translation adjustment	**41**	–
Acquisition of subsidiaries	**–**	3,344
Amounts written off as uncollectible	**(3,385)**	–
Carrying amount at the end of the period/year	**–**	3,344

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

Notes: *(continued)*

(c) The movement in the allowance for impairment of other receivables during the period/year is as follows:

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Carrying amount at the beginning of the period/year	**14,606**	–
Translation adjustment	**302**	–
Acquisition of subsidiaries	**–**	14,606
Amounts written off as uncollectible	**(7,994)**	–
Carrying amount at the end of the period/year	**6,914**	14,606

In relation to the allowance for impairment of trade receivables and other receivables, the management assessed that certain amounts of the respective receivables are unlikely to be recovered, the relevant balances were written off during the period.

14. TRADE AND OTHER PAYABLES

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Trade payables	**7,336,040**	8,515,703
Other payables and accruals	**1,165,531**	1,737,394
Dividend payables (note 10)	**45,645**	–
Deposits received	**818,509**	99,289
	9,365,725	10,352,386

14. TRADE AND OTHER PAYABLES *(continued)*

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

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
30 days or below	**4,029,835**	4,917,833
31–60 days	**100,352**	192,017
61–90 days	**47,395**	102,733
91–180 days	**537,315**	531,806
181–360 days	**1,293,168**	1,013,025
Over 360 days	**1,327,975**	1,758,289
	7,336,040	8,515,703

15. AMOUNT DUE TO A JOINT VENTURE

The amount is unsecured, interest-free and repayable on demand.

16. CONSIDERATION PAYABLE FOR ACQUISITION

Balance as at 31 December 2016 amounting to HK$1,912,695,000 represents outstanding consideration payable in relation to the acquisition of the entire issued share capital of Best Beauty Investments Limited ("Best Beauty") from a wholly-owned subsidiary of China Overseas Land & Investment Limited ("COLI"), a controlling shareholder of the Company, in December 2016. The amount was unsecured and interest-free. The Group has fully settled the outstanding balance of consideration during the six months ended 30 June 2017.

17. BORROWINGS

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Current		
Bank borrowings	**4,295,742**	4,463,815
Other loans	**576,100**	824,854
	4,871,842	5,288,669
Non-current		
Bank borrowings	**15,197,218**	12,110,560
Other loans	**2,650,060**	2,574,382
	17,847,278	14,684,942
	22,719,120	19,973,611

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Analysis into:		
Bank borrowings		
Secured (note 21)	**751,818**	833,401
Unsecured	**18,741,142**	15,740,974
	19,492,960	16,574,375
Other loans		
Unsecured	**3,226,160**	3,399,236
	22,719,120	19,973,611

As at 30 June 2017, borrowings amounting to HK$1,405,115,000 (31 December 2016: HK$1,397,375,000) were guaranteed by certain subsidiaries of COLI.

17. BORROWINGS *(continued)*

The movement of borrowings during the period/year is as follows:

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Carrying amount at the beginning of the period/year	**19,973,611**	15,552,269
Translation adjustment	**209,420**	(139,817)
New borrowings raised	**6,463,554**	8,234,259
Repayment of borrowings	**(3,927,465)**	(7,768,377)
Acquisition of subsidiaries	**–**	4,095,277
Carrying amount at the end of the period/year	**22,719,120**	19,973,611

The bank borrowings were scheduled for repayment as follows:

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
On demand or within one year	**4,295,742**	4,463,815
More than one year, but not exceeding two years	**3,753,035**	5,179,880
More than two years, but not exceeding five years	**11,444,183**	6,930,680
	19,492,960	16,574,375

17. BORROWINGS *(continued)*

The other loans were scheduled for repayment as follows:

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
On demand or within one year	**576,100**	824,854
More than one year, but not exceeding two years	**576,100**	338,582
More than two years, but not exceeding five years	**2,073,960**	2,235,800
	3,226,160	3,399,236

As at 30 June 2017, borrowings amounting to HK$19,964,676,000 (31 December 2016: HK$18,810,175,000) have been arranged at annual floating rates from 2.11% to 5.70% (31 December 2016: 2.55% to 5.70%) while the remaining balance of HK$2,754,444,000 (31 December 2016: HK$1,163,436,000) have been arranged at annual fixed rates of 3.41% to 7.20% (31 December 2016: 3.80% to 7.20%).

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

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
HK$	**11,293,073**	11,635,000
Renminbi	**7,666,746**	5,742,361
United States Dollars ("US$")	**3,759,301**	2,596,250
	22,719,120	19,973,611

18. A DERIVATIVE FINANCIAL INSTRUMENT

Interest rate swap

At the end of the reporting period, the Group had an interest rate swap contract with notional amount of US$40,000,000 with maturity on 6 January 2020 to swap the interest rate of floating basis of 3-month London Interbank Offered Rate plus 1.515% to fixed rate at 3.2% per annum.

As at 30 June 2017, derivative financial instrument of HK$492,000 (31 December 2016: nil) was recognized in the condensed consolidated statement of financial position. During the six months ended 30 June 2017, the change in fair value of the derivative financial instrument amounting to HK$492,000 (six months ended 30 June 2016: nil) was recognized in condensed consolidated income statement.

19. GUARANTEED NOTES PAYABLE

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

	HK$'000
Carrying amount as at 1 January 2016 (Audited)	3,138,399
Imputed interest expense (Audited)	168,984
Finance costs paid (Audited)	(158,875)
Carrying amount as at 31 December 2016 (Audited) and 1 January 2017 (Unaudited)	**3,148,508**
Imputed interest expense (Unaudited)	**83,289**
Finance costs paid (Unaudited)	**(79,438)**
Carrying amount as at 30 June 2017 (Unaudited)	**3,152,359**

20. SHARE CAPITAL

	Number of ordinary shares '000	HK$'000
Issued and fully paid		
Balance at 1 January 2016 (Audited), 31 December 2016 (Audited), 1 January 2017 (Unaudited) and 30 June 2017 (Unaudited)	**2,282,240**	**2,144,018**

21. PLEDGE OF ASSETS

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

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Pledge for borrowings and banking facilities of the Group		
Owners-occupied properties	**457,474**	450,358
Inventories of properties	**1,374,657**	1,333,734
	1,832,131	1,784,092
Pledge for borrowings and a banking facility of an associate		
Inventories of properties	**754,383**	731,926
	2,586,514	2,516,018

22. COMMITMENTS

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

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Contracted for but not provided for in the financial statements:		
— Investment in joint venture	**–**	52,359
— Acquisition of land	**1,250,300**	1,820,143
— Property development	**6,265,009**	5,603,883
Authorized but not contracted for:		
— Acquisition of land	**948,261**	1,600,342
— Property development	**–**	32,419

23. GUARANTEES

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

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Guarantees given to:		
Banks and government agencies for mortgage loans granted to certain purchasers of the Group's properties	**31,433,116**	27,201,266
Bank in respect of a banking facility granted to an associate	**115,220**	111,790

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.

24. RELATED PARTY TRANSACTIONS

(a) After completion of the acquisition of the entire issued share capital of Best Beauty by the Group, which took place on 29 December 2016, the existing property management agreements between Best Beauty and its subsidiaries (collectively the "Target Group") and COLI and its subsidiaries (collectively, the "COLI Group"), to provide property management and related services in respect of various property development projects in the PRC of the Target Group by COLI Group became related party transactions.

During the six months ended 30 June 2017, total management fee paid/payable by the Group to COLI Group amounted to approximately RMB5,768,000 (six months ended 30 June 2016: nil), equivalent to approximately HK$6,526,000 (six months ended 30 June 2016: nil).

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Nature of transactions		
COLI and its subsidiaries		
Royalty expenses	**83,917**	102,923
Rental income	**7,546**	8,323
COPH (note (i)) and its subsidiaries		
Property management fee expenses	**16,058**	16,237
CSC (note (ii)) and its subsidiaries		
Construction supervision expenses	**23,531**	1,046
Key management (including directors)		
Remuneration	**3,408**	4,603

Notes:

(i) China Overseas Property Holdings Limited ("COPH") is a fellow subsidiary of COLI.

(ii) China Overseas Holdings Limited is the controlling shareholder of both the Company and China State Construction International Holdings Limited ("CSC").

25. FAIR VALUE MEASUREMENT

(a) Financial instruments

The fair value of the derivative financial instrument as at 30 June 2017 is a level 2 recurring fair value measurement and determined using discounted cash flow model. Future cash flows are estimated based on forward interest rate (from observable yield curves at the end of the reporting period) and contracted interest rate, discounted at a rate that reflects the credit risk of the Group or the counterparties, as appropriate.

As at 31 December 2016, 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 associates, joint ventures, non-controlling interests and other related companies, bank balances including restricted cash and deposits, trade payables, other payables and accruals, consideration payable for acquisition, borrowings and guaranteed notes payable.

Due to their short-term nature, the carrying values of trade and other receivables, balances with associates, joint ventures, non-controlling interests and other related companies, bank balances including restricted cash and deposits, trade payable, other payables and accruals, consideration payable for acquisition 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 2017 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 2017, there were no transfers among level 1, level 2 and level 3 in the fair value hierarchy.

Others

INTERIM DIVIDEND

After reviewing the working capital requirements for the Group's future expansion of its business, the Board declared an interim dividend of HK1 cent per share (the corresponding period in 2016: nil) which will be payable on or before 11 October 2017 to the members of the Company registered as at the close of business on 1 September 2017.

The Register of Members of the Company will be closed on 1 September 2017 during which time no transfer of shares can be registered. In order to qualify for the interim dividend, all transfers, accompanied by the relevant certificates, must be lodged with the Company's share registrar, Tricor Standard Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 31 August 2017.

SHARE CAPITAL

The Company's total number of shares in issue as at 30 June 2017 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 2017.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2017, 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	Personal	34,085,249	341,677,687	14.97%
	Beneficiary of a trust (Note 2)	Other	307,592,438		
Dr. Chung Shui Ming, Timpson	Beneficial owner	Personal	363,250	363,250	0.02%
Mr. Yang Lin	Beneficial owner	Personal	1,700,000	1,930,750	0.08%
	Interest of spouse	Family	230,750		

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 2017, 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.

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

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

Notes:

1. The percentage is based on the total number of shares of the Company in issue as at 30 June 2017 (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 2017, 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%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES *(continued)*

Save as disclosed above, the Company had not been notified by any other person (other than directors or the chief executives of the Company) who had an interest in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30 June 2017.

Notes:

1. The percentage is based on the total number of shares of the Company in issue as at 30 June 2017 (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 2017.

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

CORPORATE GOVERNANCE *(continued)*

In addition to the above deviation, the Company has not complied with CG Code A.6.7 which requires the independent non-executive directors to attend the general meeting. Due to an overseas engagement, Dr. Timpson Chung Shui Ming, one of the independent non-executive directors, was unable to attend annual general meeting of the Company held on 23 May 2017. 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.

Furthermore, during the period, the Company entered into the facility agreements in the following terms and conditions:

(1) Date: 10 March 2017

Amount: Loan facility up to HK$600 million, which can be increased to HK$1 billion in accordance with the facility agreement

Term: 60 months commencing from the date of the facility agreement

(2) Date: 15 March 2017

Amount: Loan facility up to HK$1.3 billion

Term: 36 months commencing from the date of the facility agreement

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

(continued)

The above facility agreements stipulated that, if COLI, the controlling shareholder of the Company, ceases to be the single largest shareholder of the Company; or ceases to have management control over the Company, the above facilities shall be cancelled and all outstanding amounts shall become immediately due and payable.

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

CHANGE IN DIRECTOR'S INFORMATION

Change in director's information since the date of the 2016 annual report of the Company, which is required to be disclosed pursuant to Rules 13.51B(1) of the Listing Rules, is set out below:

Name of director	Details of change
Mr. Lam Kin Fung, Jeffrey	Ceased to act as the chairman of the Assessment Committee of the Mega Events Fund

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 2017.

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 2017, and discussed with the Company's management regarding auditing, internal control and other important matters.

CHINA OVERSEAS GRAND OCEANS GROUP LTD.

香港九龍柯士甸道西一號環球貿易廣場67樓6703室
Unit 6703, Level 67, International Commerce Centre
1 Austin Road West, Kowloon, Hong Kong
電話 Tel : 2988 0600
傳真 Fax : 2988 0606
網頁 Website : www.cogogl.com.hk

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