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CHINA OVERSEAS PROPERTY HOLDINGS LIMITED
中海物業集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2669)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

FINANCIAL HIGHLIGHTS

1. During the six months ended 30 June 2017, total GFA under our management increased by 5.5% to 98.6 million sq.m. from last year end, and was 14.7% more comparing with the end of last corresponding period.
2. New/ renewed property management contracts secured during the first half of 2017 amounted to a total contract sum of approximately HK\$673.5 million.
3. Revenue increased by 4.1% to HK\$1,308.1 million, comparing to HK\$1,257.0 million in the last corresponding period. Gross profit increased by 27.1% during the first half of 2017 against last period to HK\$393.9 million for the period (2016: HK\$309.9 million). Gross profit margin improved to 30.1% for the six months ended 30 June 2017 from 24.7% in the last corresponding period.
4. Profit attributable to owners of the Company for the six months ended 30 June 2017 increased by 36.0% to HK\$155.0 million against the last corresponding period (2016: HK\$114.0 million). Basic and diluted earnings per share was HK4.72 cents (2016: HK3.47 cents), increased by 36.0%. Average return on equity was 38.4% (2016: 34.6%).
5. The Board declared the payment of an interim dividend of HK1.5 cents per share (2016: HK1.1 cents) for the six months ended 30 June 2017.

The board of directors (the “Board”) of China Overseas Property Holdings Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2017. In ongoing adherence to the customer-oriented business strategy, we have provided premium property management services in Mainland China, Hong Kong and Macau on the back of the recognition and support of property developers and owners with whom we have developed longstanding partnerships. Leveraging the strong brand recognition of “China Overseas Property”, the Group seized business opportunities in a timely manner and effectively addressed business risks by strengthening control over the application and allocation of resources, while pursuing business diversification with ongoing expansion in terms of geographic coverage and business volume.

As at 30 June 2017, the Group provided property management services to 500 properties located across 52 cities and regions in Hong Kong, Macau, and the People’s Republic of China (the “PRC”), with an aggregate gross floor area (“GFA”) under management of approximately 98.6 million sq.m., with the support of 22,692 employees. The categories of properties under management include mid- to high-end residential units/ commercial buildings, commercial complex, hotels and government properties.

The Group operates a diverse range of businesses. Apart from providing premium basic property services, such as facilities repair and maintenance, cleaning and landscape and security management, which would add value to properties and enhance their reputation, we also provide comprehensive, end-to-end property management services for property development projects, including consultation relating to product positioning, recommendations for the selection of equipment models, pre-delivery services, move-in assistance services, delivery inspection services, as well as engineering services quality control and consulting services. Through the provision of sound property management services, we have also developed close relations with the communities we serve and have earned their trust. Such relationship is conducive to the expansion of our mobile internet-based operation of customers’ assets and daily services and our effort to tap the immense potential spending powers of these communities.

RESULTS

For the six months ended 30 June 2017, total GFA of the properties under our management increased by 5.5% or 5.1 million sq.m. to 98.6 million sq.m. New/ renewed property management contracts secured during the period amounted to a total contract sum of approximately HK\$673.5 million, with a total contract sum (for property management contracts with fixed expiry dates) for services to be rendered of approximately HK\$1,464.9 million as of 30 June 2017.

The six-month turnover of the Group increased by 4.1% to HK\$1,308.1 million against the corresponding period last year (2016: HK\$1,257.0 million). Operating profit for the period rose by 33.2% to HK\$220.7 million (2016: HK\$165.7 million). The profit attributable to owners of the Company increased by 36.0% to HK\$155.0 million, comparing to HK\$114.0 million for the same period in 2016. Basic earnings per share was HK4.72 cents (2016: HK3.47 cents), an increment of 36.0%. Average return on equity was 38.4% (2016: 34.6%).

REVENUE AND OPERATING RESULTS

The Group is one of the leading property management companies in the PRC, with operations covering Hong Kong and Macau, which strives to preserve and add value to the properties under our management by providing high-quality and sophisticated services to the customers and maximising customer satisfaction. During the first half of 2017, the GFA under our management increased by 5.5% to 98.6 million sq.m. from 93.5 million sq.m. as at 31 December 2016. This further strengthened our revenue base and improved our market position.

Total revenue increased by 4.1% to HK\$1,308.1 million for the six months ended 30 June 2017, comparing to HK\$1,257.0 million in the last period. Despite the fact that our property management services revenue rose in line with the increasing GFA under our management, it was offset by the following reasons (i) due to the reform of China tax system, the extension of the pilot programme of replacing business tax (as tax included in price) with value-added tax (as tax excluded in price) in the domestic services industry in the PRC took effect since 1 May 2016 (the “VAT Reform”); (ii) the continuing effect of depreciation of Renminbi against Hong Kong dollar during the past twelve months; and (iii) the increase in proportion of

commission-based property management contracts against the last period.

At the same time, direct operating expenses decreased by 3.5% to HK\$914.2 million for the period, mainly due to (i) continuous efforts to reasonably implement cost controls over property management contracts; (ii) the positive effects of the VAT Reform; (iii) the effect of depreciation of Renminbi against Hong Kong dollar during the past twelve months; and (iv) the increase in proportion of property management contracts under commission basis against the last corresponding period.

Accordingly, gross profit for the period increased by 27.1% against last period to HK\$393.9 million (2016: HK\$309.9 million). Gross profit margin improved to 30.1% for the period from 24.7% in the last period, mainly due to (i) strengthening of reasonable cost controls; and (ii) lower tax burden arising from the VAT Reform.

Other income and gains, net, increased by 66.7% to HK\$17.6 million for the period (2016: HK\$10.5 million), of which, interest income on bank deposits and unconditional government grants amounted to HK\$15.2 million and HK\$2.3 million respectively (2016: HK\$7.1 million and HK\$3.0 million respectively). The increase in interest income mainly benefited from a higher level of cash balances against last period end together with more effective treasury management.

During the period, certain properties held for own-use were changed for rental purpose, the carrying value of investment properties thus increased to HK\$93.5 million for the period from HK\$66.6 million at last year end. Accordingly, fair value gain on investment properties for the period was HK\$4.2 million (2016: HK\$0.3 million).

After deducting administrative expenses of HK\$194.9 million for the period (2016: HK\$155.1 million), operating profit increased by 33.2% to HK\$220.7 million (2016: HK\$165.7 million). The variation in administrative expenses was mainly arisen from the one-off net reversal of impairment of trade receivables and payments on behalf of property owners for properties managed under commission basis, amounted to a total of HK\$32.7 million, upon improved management controls over the procedures to recover receivables and advances in timely manners in the last corresponding period.

Overall, profit attributable to owners of the Company for the six months ended 30 June 2017 increased by 36.0% to HK\$155.0 million against the last corresponding period (2016: HK\$114.0 million).

SEGMENT INFORMATION

In last year, revenue from consulting services provided to other property management companies has been reallocated to value-added services segment from property management services segment. The segment information in the first half-year 2016 was restated accordingly.

PROPERTY MANAGEMENT SERVICES

Revenue from property management services constituted 92.3% of total revenue for the six months ended 30 June 2017 (2016: 91.5% (restated)), and increased by 5.0% from last period to HK\$1,207.4 million (2016: HK\$1,149.7 million (restated)). During the six months ended 30 June 2017, we increased our total GFA under management by approximately 5.1 million sq.m. to 98.6 million sq.m. from last year end, and was 14.7% more comparing with the end of last corresponding period (2016: 86.0 million sq.m.). The increase in revenue from property management services was partly offset by (i) the impact of the VAT Reform; (ii) the effect of depreciation of Renminbi against Hong Kong dollar during the past twelve months; and (iii) increased proportion of commission-based property management contracts against last corresponding period.

For the six months ended 30 June 2017, approximately 84.6% and 8.0% of the segment revenue were generated from regular property management contracts under lump sum basis and commission basis respectively (2016: 85.0% (restated) and 7.3% (restated) respectively). Other property management services, including (for property developers) pre-delivery services and move-in assistance services, represented 7.4% of the remaining segment revenue (2016: 7.7% (restated)).

The segment gross profit margin improved to 28.0% for the period against 22.0% (restated) in the last corresponding period, mainly due to (i) reasonably strengthened cost controls; and (ii) lower tax burden arising from the VAT Reform. Accordingly, the gross profit of our property management services segment increased by 33.3% to HK\$337.7 million for the six

months ended 30 June 2017 (2016: HK\$253.3 million (restated)).

After deducting the administrative expenses and taking into accounts the other income, the segment profit of the property management services increased by 27.5% to HK\$178.8 million for the current period (2016: HK\$140.2 million (restated)).

VALUE-ADDED SERVICES

Revenue from the value-added services segment constituted 7.7% of total revenue for the six months ended 30 June 2017 (2016: 8.5% (restated)), and decreased by 6.2% to HK\$100.7 million (2016: HK\$107.3 million (restated)). The decrease in revenue was mainly temporarily arisen from design and technical support services under engineering services. During this period, due to the business nature, such activity recorded lower recognised revenue at the initial stage of engineering work.

In respect of the profitability, the performance of other value-added services such as rental assistance for public spaces was satisfactory, and compensated the effect of decreased revenue. The gross profit of the value-added services segment slightly dropped to HK\$56.2 million in the first half of 2017 from HK\$56.6 million (restated) in the first half of 2016, while gross profit margin slightly increased to 55.8% (2016: 52.7% (restated)).

The segment profit from the value-added services, having taking into accounts other segment income and overhead, increased by 8.8% against last corresponding period to HK\$51.5 million (2016: HK\$47.3 million (restated)).

LIQUIDITY, FINANCIAL RESOURCES AND DEBT STRUCTURE

The Group adopts prudent financial policies, with effective financial and cash management under centralized supervision, and maintains appropriate leverage with adequate cash balances. As at 30 June 2017, net working capital amounted to HK\$1,136.4 million (as at 31 December 2016: HK\$949.4 million).

Bank balances and cash slightly increased by 1.7% to HK\$2,148.4 million from last year end (as at 31 December 2016: HK\$2,112.3 million), in which, 96.4% were denominated in Renminbi and 3.6% were denominated in Hong Kong Dollar/ Macau Pataca.

These were well above the total unsecured borrowings of HK\$360.0 million from HK\$550.0

million long-term revolving loan facilities. Of which, HK\$310.0 million and HK\$50.0 million were repayable between 1 and 2 years and between 2 and 5 years respectively. The Group was in a net cash position, with a gearing ratio (total borrowings divided by total equity attributable to owners of the Company) of 40.7% as at 30 June 2017. Interest of such borrowings was charged at floating rates with a weighted average of 2.18% per annum.

FOREIGN EXCHANGE EXPOSURE

As the Group mainly recorded its revenue, receivables and payables and expenditures, etc. in Renminbi for its PRC property management business, the management considered that a natural hedge mechanism existed. Meanwhile, fluctuations of exchange rates may impact our net assets value and financial results due to currency translation upon consolidation. If Renminbi appreciates/depreciates against Hong Kong dollar, we would record a(n) increase/decrease in our net assets value and financial results. At present, we have not entered into or traded financial instruments, including derivative financial instruments, for hedging or speculative purpose. Hence, other than the effect of currency translation as mentioned above, we have neither experienced nor expected any material and adverse effect on our business and operations due to the devaluation of Renminbi.

On one hand, the Group would closely monitor the volatility of Renminbi exchange rate, and would consider appropriate currency hedging policy for mitigating apparent exchange rate risk and enter into such hedging arrangement, if and when appropriate.

CAPITAL EXPENDITURE

The capital expenditures, which mainly represent additions to motor vehicles, machinery and equipment, furniture, fixtures and office equipment, were HK\$3.0 million for the six months ended 30 June 2017.

MATERIAL ACQUISITIONS, DISPOSALS, SIGNIFICANT INVESTMENT AND FUTURE PLANS OF MATERIAL INVESTMENT

The Group had no material acquisitions, disposals, significant investments and future plans of material investment during the six months ended 30 June 2017.

CONTINGENT LIABILITIES

The Group provided counter-indemnities amounting to approximately HK\$78.6 million as at 30 June 2017, for guarantees issued in respect of certain property management service contracts for which we are required to provide performance bonds in the ordinary course of business.

Except as disclosed above, we had no other material outstanding contingent liabilities as at 30 June 2017.

EMPLOYEES

As at 30 June 2017, the Group had approximately 22,692 employees (as at 31 December 2016: 22,637). The pay levels of these employees are commensurate with their responsibilities, performance and the prevailing market condition. The remuneration packages included basic salaries, discretionary bonus and provident fund contributions/retirement pension scheme. Certain selected key personnel of the Group were also entitled to participate in a share incentive scheme of an intermediate holding company of the Group. The total staff costs incurred for the six months ended 30 June 2017 was approximately HK\$723.5 million (2016: HK\$708.0 million).

As part of our comprehensive training programme, we have provided classroom and online training to our staff to enhance technical and service knowledge as well as knowledge of industry quality standards and workplace safety standards.

PROSPECTS

The Economy

Major economies such as the United States, the United Kingdom and France had their general elections held during the period from late last year to the middle of the current year. While the economic impact of political changes, such as the rise of protectionism, remains to be seen, the U.S. Federal Reserve went on to increase the interest rate twice during the first half of the year following the 0.25% raise announced towards the end of last year. Based on the dot plot indicating the mainstream consensus of FOMC members on interest rate directions, it is likely that there will be one more raise in the second half of the year, and the

upward cycle for U.S. interest rates will continue thereafter. Currently, the central banks in Europe and the United States are mulling the possibility of downsizing their balance sheets, suggesting possible negative impact on global funds and asset prices.

Despite the complicated and volatile global conditions, China continued to sustain stable and positive economic development with a GDP of 6.9% increase against same period in last year, which was slightly above the national annual target. In line with the principles for development under the “New Normal”, the nation continued to see improvements in the quality and efficiency of its economic development with enhanced structural supply-side reforms and improved demands, complemented by innovative industries that enhance productivity and competitiveness and assure sustainable and stable economic growth. The positive outcome of these developments, which has been gradually reflected in the spending powers of the people, is conducive to social harmony and stability underpinned by better living conditions for the people.

Property Management

The property management sector in China has been afforded ample opportunities for development in recent years following the implementation of the “National New-type Urbanisation Plan (2014–2020)” (《國家新型城鎮化規劃 (2014–2020年)》) and the ongoing growth of the nation’s property market. The property management sector has gradually evolved from a labour-intensive business focused on traditional property management services to an internet-driven operation characterised by centralisation, automation and application of smart devices. The role of the property manager has transformed from a provider of basic property services to a connector and integrator of services and a platform operator. Through the upgrade of hardware equipment to smart devices and the application of the mobile internet technologies, property management companies have succeeded in improving the efficiency and effectiveness of their services while achieving cost reduction. The multi-dimensional daily needs of patrons under a shared economic environment have facilitated the development of a diverse range of value-added services. The property management business can extend vertically to the business chain of the property development sector, as well as horizontally to the integrated resources for daily services. Property management companies are embracing new prospects of profit growth on

the back of an extended scope of property services thanks to the introduction of innovations and upgrades in services. The gradual improvement and relaxation of relevant policies of the government and the industry, as well as the development towards market-oriented pricing for property services, will further drive the healthy development of the property management sector.

Driven by information technologies relating to the Internet and the Internet of Things and the influx of capital investments, the previously highly fragmented market of the property management sector has been undergoing a process of integration with increasing pace and magnitude. The sector has seen a significantly enhanced level of industry concentration in the midst of leapfrog development and large-scale, premium property management companies enjoying sound reputation, economies of scale and profitability will secure greater opportunities for development.

Group Strategy

The Group competes with its major rivals primarily on branding, service quality, scale and profitability. We are committed to the provision of quality management services to our clients, offering differentiated service products to suit different customer needs in order to establish a positive brand image. With a proven track record of 30 years in service, we have built up a comprehensive service quality monitoring system which has received international service standard certification. We have adopted information technology to improve our quality of service in an effort to enhance customer satisfaction continuously. We focus on market development for mid- to high-end residential and commercial properties, so as to maintain growth in our market share and operating scale. While endeavouring to maintain a high standard in the quality of service, we also strive to enhance labour productivity, control management overhead cost and boost efficiency with the establishment of IT-driven smart platforms.

In view of the potential spending power of the huge population living in residential communities, we are committed to the ongoing development of diversified value-added services to meet the needs of owners, tenants and users across the board for different types of services. Meanwhile, we have been making vigorous efforts to develop our online platform

by employing new technologies, such as the mobile internet and the Internet of Things, so that we can offer quicker and more intuitive experience to customers and enhance our overall competitiveness in the property management sector.

As one of the leading property management companies in the PRC, it is our mission to lead the development of the industry continuously through our performance excellence, to provide perfect housing enjoyment to our customers on the back of high quality services, to preserve and enhance the assets value of clients' properties with comprehensive assets management programs, to provide a pleasant working environment with opportunities for career development for our staff, to build our brand image upon word-of-mouth credentials, and to explore the property management market continuously for the growth of shareholder's value. We would achieve our objectives of meeting customers' needs and sustaining business growth by implementing the following key business strategies:

- To leverage our leading “China Overseas Property” brand name to expand our business scope

On the back of our core competency of focusing on the management of mid- to high-end properties in major cities in the PRC, as well as in Hong Kong and Macau, we would solidify our strong brand recognition as a property management service provider for such properties. We intend to achieve this goal by expanding our range of service offerings to further provide comprehensive and differentiated service solutions to customers, while leveraging our experience in managing high-end properties in Hong Kong to develop the high-end and mixed-use property management market in the PRC and abroad.

In order to leverage our strength in managing mid- to high-end properties, we would enhance our cooperation with property developers whose profiles are consistent with our brand image and market positioning, especially in relation to the expansion of property management services for commercial properties. Furthermore, to expand our scope of operations, we would endeavor to engage in asset holdings and long-term operations aimed at fulfilling diverse customer requirements and enhancing customer satisfaction, in an attempt to develop a diversified portfolio of value-added services.

- To further expand our business coverage through consolidation of our advanced property management knowhow

We will leverage our extensive experience in managing mid- to high-end properties to devote our efforts in providing property management consultancy to the full phases of property development, and to continue the expansion of consulting services, professional and technical advisory services as well as one-stop property management consultation. We will provide bespoke services to meet our customers' demands, such as planning design assessments, engineering consultancy and design and equipment advisory services, to achieve the goal of lowering development costs and optimising property functions. Our management knowhow offerings include property management scheme design and modernised quality control techniques, which would help to enhance management efficiency and lower costs arising from property management services. Meanwhile, we would leverage our business platform to integrate resources across the value-chain horizontally and vertically, and collaborate with business partners to explore new business opportunities, e.g. providing leasing and operation services for offices and commercial properties.

- Ongoing promotion of online and offline services to offer superb experience in residential living

We have always been fully committed to the exploration of online / offline services tailored to the characteristics of our business. Taking into account the actual needs of residents in different districts, services catering to the personalised and diversified requirements of patrons are being constantly enriched and improved. These included customers' assets operations such as property operating business, including property leasing and sale, household fitting and renovation; as well as daily operating services such as home services and merchandise sales. As we amass capabilities in such offline services, a solid foundation is provided for creating synergies between online and offline services. We will continue to devote additional resources in the development of our online internet platform to meet the personalised and diversified requirements of patrons. Meanwhile, we will explore opportunities for business growth in connection with the operation of customers' assets and daily services, striving to add value for customers by enhancing their quality of life with

richer experiences in convenient services, while also fostering a novel commercial service regime for residential communities.

- To further enhance our service quality while maximising our cost efficiency

In close tandem with customers' requirements, we assure effective supervision over service quality and improvements in management efficiency through innovations in management and technology, thereby enhancing our core competency in the business.

Automation and standardisation are key factors in our strategy to increase cost efficiency and improve service quality. We will continue to implement measures based on smart devices in our processes and enhance standardisation in our operations. The use of smart systems, such as the smart guest-access control system for residential buildings and car-park management system, would reduce dependence on manual operations in favour of the provision of standardised services. These would ensure the consistency of service quality and minimise the occurrence of human errors, thereby safeguarding our brand name and reputation. Through IT-based strategic planning, standardisation will apply in the customer-relations management, on-site quality supervision, equipment control and cost control systems, and an IT-based administration platform supporting our future development strategies will be built, thereby developing innovative capabilities compatible with business models of the future digital era. We also maintain close connections with quality vendors and subcontractors in order to ensure consistency and reliability of our service quality.

Our technical engineering teams have been applying their expertise to provide vigorous assistance in environmental and energy saving campaigns, maintenance of equipment and facilities, and project risk management. In this connection, we obtained three awards for energy saving initiatives and two awards for clean production from the government, six national patents and two computer authorships. In future, we would continue to strengthen our cost controls and resources planning, and carry on the establishment of China Oversea Property intelligent communities and its intelligent management, with a view to maximising service quality and cost benefits.

- To attract, develop and retain talent to support our business growth

We have adopted a series of human resources strategies to attract, nurture and retain talents. Over the past 30 years, we have developed a dedicated and loyal professional management team to provide sufficient talent for business growth. We mainly select our management staff through internal promotion but will also recruit talents that befit our development strategy and corporate culture via the “Sons of the Sea” and “Sea’s Recruits” schemes.

We tailor our training programmes for managers at various levels (from entry-level staff to senior management) to address their needs for different skill sets, including the provision of timely and attractive learning opportunities to our staff via the online college. To supplement our recruiting and training efforts, we will continue to develop long-term partnerships with vocational institutions and industry associations for human resources planning and the establishment of various training camps.

We have designed a competitive remuneration and performance review system. Through regular performance reviews, the provision of special stipends, bonuses for key assignments, special contractual arrangements and collective operations, we incentivise our employees and boost productivity by ensuring that compensation is tied to performance. Furthermore, our continuous adoption of multi-dimensional performance assessment and competitive recruitment allow us to offer wider career development opportunities to our staff.

We have always persisted in a “craftsmanship spirit” underpinned by excellence and professionalism. In 2016, we were engaged vigorously in building a “craftsmen’s regime” for our employees, aiming to foster the personality, mentality and skills of a good craftsman and develop China Overseas Property’s own teams with 18 crafts. The building of junior staff teams is facilitated through the 18-Craft Lecture Hall and training programmes such as “Dream Dandelion” and “Seahawks”. The “18-Craft Contest” serves to encourage innovation and facilitate selection of technical personnel by way of competition. Through the “18-Craft” certification and registration process, we provide qualified professionals. At the first edition of the national professional property management skills contents held in May 2017, all representatives of the Company made it to the finals and two of them were placed among the top 10 in the property manager group and the electrician group, respectively, and awarded the title of “Able Technician in National Residential and Urban/ Rural

Construction”, providing an exemplary model for other craftsmen and highlighting our competitive edge in human resources in the property management business.

In our daily operations, we at China Overseas Property are always mindful of our vocation: active participation in the betterment of community welfare. In this regard, exemplary cases of property management workforce who have put public interests above their personal concerns and taken honourable actions in line with their duties have been noted, such as our Shenyang Security Management Team who saved the life of a charcoal-intoxicated flat owner; a repair technician at our Suzhou office who safeguarded the lives and properties of owners by risking his own safety to catch a thief; and our project manager who was awarded the “Capital City’s Labour Medal” by the Beijing General Labour Union. What’s more, we have been actively involved in the charity programme known as “Village and Campus Walk”. For two consecutive years, the Company has targeted primary and secondary schools in impoverished villages and provided assistance to upgrade their teaching facilities in a solid action to bridge up the gap in education between rural areas and cities. The spirit underpinning the countless examples of spontaneous acts of excellence on the part of individual employees and our well-recognised commitment to corporate social responsibility will continue to be fulfilled, promulgated and strengthened by our staff.

During the first half of 2017, we garnered numerous awards and honours on the back of our superior general strengths and excellent standards in service and management, including “Top 100 PRC Property Service Enterprises 2008-2017” with TOP10 rankings in various benchmarks such as general strengths, scale of service, quality of service and satisfaction; “Top 50 Property Service Enterprise of Shenzhen (General Strengths) 2016” and “Award of Property Service and Management for Leading Properties in Sichuan 2017”. Such industry recognition and property owners’ approval have further testified to the reputation of China Overseas Property. In future, we will further improve our service quality with the application of information technologies and expedite the upgrade of smart applications through management innovation and the promotion of smart technologies. With ongoing enhancements in resource integration, complementary benefits and the capacity for mutual growth, we shall be well-positioned to meet customers’ increasing demand for different types of services and offer experience of better and more convenient services.

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:

	<i>Note</i>	Six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Revenue	4	1,308,075	1,256,974
Direct operating expenses		(914,223)	(947,057)
Gross profit		393,852	309,917
Other income and gains, net		17,557	10,530
Gain arising from changes in fair value of investment properties		4,216	313
Administrative expenses		(194,904)	(155,075)
Operating profit		220,721	165,685
Share of profits of an associate		77	77
Finance costs		(4,551)	(3,807)
Profit before tax	5, 6	216,247	161,955
Income tax expenses	7	(61,212)	(47,917)
Profit for the period attributable to owners of the Company		155,035	114,038
		HK Cents	HK Cents
Earnings per share	9		
Basic and diluted		4.72	3.47

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period attributable to owners of the Company	155,035	114,038
Other comprehensive income		
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Surplus on revaluation of investment properties transferred from self-use properties, net of tax	13,131	-
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of subsidiaries of the Company	24,293	(15,909)
Total comprehensive income for the period attributable to owners of the Company	192,459	98,129

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
	<i>Note</i>		
Non-current assets			
Investment properties		93,510	66,641
Property, plant and equipment		24,750	26,978
Prepaid lease payments for land		2,059	3,206
Interests in an associate		268	191
Deferred tax assets		2,403	2,032
		<u>122,990</u>	<u>99,048</u>
Current assets			
Inventories		139	97
Trade and other receivables	10	468,516	289,988
Deposits and prepayments		25,586	26,514
Prepaid lease payments for land		291	404
Amounts due from immediate holding company		192	57
Amounts due from fellow subsidiaries		40,233	32,885
Amounts due from related companies		12,545	6,936
Tax prepaid		709	871
Bank balances and cash		2,148,377	2,112,309
		<u>2,696,588</u>	<u>2,470,061</u>
Current liabilities			
Trade and other payables	11	1,044,772	1,030,432
Receipts in advance and other deposits		438,788	413,360
Amount due to immediate holding company		81	651
Amounts due to fellow subsidiaries		1,810	3,046
Amounts due to related companies		2,818	4,285
Tax liabilities		71,897	68,923
		<u>1,560,166</u>	<u>1,520,697</u>
Net current assets		<u>1,136,422</u>	<u>949,364</u>
Total assets less current liabilities		<u>1,259,412</u>	<u>1,048,412</u>
Non-current liabilities			
Bank borrowings	12	360,000	310,000
Deferred tax liabilities		14,656	10,283
		<u>374,656</u>	<u>320,283</u>
Net assets		<u>884,756</u>	<u>728,129</u>
Capital and reserves			
Share capital	13	3,287	3,287
Reserves		881,469	724,842
Total equity attributable to owners of the Company		<u>884,756</u>	<u>728,129</u>

1. GENERAL INFORMATION

China Overseas Property Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 26 June 2006 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is 19th Floor, China Overseas Building, No. 139 Hennessy Road and No. 138 Lockhart Road, Wanchai, Hong Kong.

The Company’s immediate holding company was China Overseas Holdings Limited (“COHL”), a company incorporated in Hong Kong. The ultimate holding company of the Company is China State Construction Engineering Corporation (“CSCEC”), an entity established in the People’s Republic of China (the “PRC”) and the PRC government is a substantial shareholder of CSCEC.

The Company is an investment holding company. The Company and its subsidiaries (together, the “Group”) are principally engaged in provision of property management and value-added services.

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 of Hong Kong Limited. 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 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 7 August 2017.

2. PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Statements have been prepared under the historical cost basis except for investment properties, which are stated at fair values.

Save as described in note 3 “Adoption of new and 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.

3. ADOPTION OF NEW AND REVISED HKFRSs

The Group has not early applied the following applicable new and revised HKFRSs that have been issued but are not yet effective for the current accounting period.

Amendment to HKAS 40	Transfers of Investment Property ¹
Amendment to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendment to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
HKFRS 9 (2014)	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
Amendment to HKFRS 15	Clarifications to HKFRS 15 ¹
HKFRS 16	Leases ²
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration ¹
Annual Improvements Project	Annual Improvements 2014-2016 Cycle ¹

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

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

³ 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 financial statements. Preliminary assessment of these standards based on current available information does not indicate any significant impacts to the results and financial position of the Group as when these standards become effective.

4. REVENUE

For the year ended 31 December 2016, revenue from consulting services provided for other property management companies under property management services segment was reallocated to value-added services segment (note 5). The relevant amounts involved for the six months ended 30 June 2017 and 30 June 2016 were HK\$18.3 million and HK\$13.6 million respectively. Revenue from the Group's principal activities recognised during the period is as follows:

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000 (Restated)
Property management services	1,207,410	1,149,686
Value-added services	100,665	107,288
Total revenue	1,308,075	1,256,974

5. SEGMENT INFORMATION

The Group is organised into business segments based on the nature of services, and information is prepared and reported to the Group's management, for the purposes of resource allocation and assessment of performance. For the year ended 31 December 2016, revenue from consulting services provided for other property management companies under property management services segment was reallocated to value-added services segment. The relevant amounts involved for the six months ended 30 June 2017 and 30 June 2016 were HK\$18.3 million and HK\$13.6 million respectively. The segment information for the six months ended 30 June 2016 was restated accordingly. The Group's operating and reportable segments under HKFRS 8 and the types of revenue are as follows:

5. SEGMENT INFORMATION (CONTINUED)

Property management services	—	Provision of (i) services such as security, repairs and maintenance, cleaning and garden landscape maintenance provided to mid- to high-end residential communities (including mixed-use properties), commercial properties, government properties and construction sites and (ii) services to other enterprises, such as (for property developers) pre-delivery services, move-in assistance services, delivery inspection services and engineering service quality monitoring.
Value-added services	—	Provision of (i) engineering services such as (for property developers) automation consulting and engineering product sales and (for property management companies) inspection services, repair and maintenance services and equipment upgrade services and (ii) community leasing, sales and other services where residents and tenants of the properties under our management are offered a diversified range of online and offline services (such as common area rental assistance, purchase assistance and rental assistance for properties that have been delivered to owners by developers and household assistance services) through the online to offline platform and consulting services (for other property management companies).

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. Segment revenue represents revenue from both external customers and inter-segment revenue. Inter-segment revenue is charged at prevailing market rates and eliminated on consolidation. Segment profit included profits from the Company, the subsidiaries and share of profits of an associate. This is the measure reported to the management of the Group for the purposes of resource allocation and performance assessment.

Segment results, segment assets and segment liabilities

The following is analysis of the Group's revenue and profit by reportable segments:

	Property management services HK\$'000	Value-added services HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
<i>Six months ended 30 June 2017 (Unaudited)</i>				
Reportable segment revenue				
- from external customers	1,207,410	100,665	-	1,308,075
- inter-segment revenue	-	27,902	(27,902)	-
	1,207,410	128,567	(27,902)	1,308,075
Reportable segment profit	178,775	51,501	-	230,276
	(i)	(ii)		
Corporate expenses, net			(iii)	(14,029)
Profit before tax				216,247

5. SEGMENT INFORMATION (CONTINUED)

	Property management services HK\$'000	Value-added services HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
<i>Six months ended 30 June 2016</i> <i>(Unaudited) (Restated)</i>				
Reportable segment revenue				
- from external customers	1,149,686	107,288	-	1,256,974
- inter-segment revenue	-	25,281	(25,281)	-
	<u>1,149,686</u>	<u>132,569</u>	<u>(25,281)</u>	<u>1,256,974</u>
Reportable segment profit	<u>140,165</u>	<u>47,320</u>	<u>-</u>	<u>187,485</u>
	(i)	(ii)		
Corporate expenses, net			(iii)	(25,530)
Profit before tax				<u>161,955</u>

(i) Including net impairment provision for HK\$4,809,000 (six months ended 30 June 2016: net reversal of impairment of HK\$32,725,000) of trade receivables and payments on behalf of property owners for properties managed under commission basis.

(ii) Including a gain arising from the changes in fair value of investment properties of HK\$4,216,000 (six months ended 30 June 2016: HK\$313,000).

(iii) Including net exchange gain mainly arising from dividend receivable from a subsidiary of the Group of HK\$7,698,000 (six months ended 30 June 2016: net exchange loss of HK\$3,530,000).

The following is an analysis of the Group's assets and liabilities by reportable segments:

	Property management services HK\$'000	Value-added services HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<i>At 30 June 2017 (Unaudited)</i>				
Segment assets	<u>2,602,303</u>	<u>196,832</u>	<u>20,443</u>	<u>2,819,578</u>
Segment liabilities	<u>(1,458,060)</u>	<u>(85,070)</u>	<u>(391,692)</u>	<u>(1,934,822)</u>
	Property management services HK\$'000	Value-added services HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<i>At 31 December 2016 (Audited)</i>				
Segment assets	<u>2,400,914</u>	<u>142,077</u>	<u>26,118</u>	<u>2,569,109</u>
Segment liabilities	<u>(1,426,854)</u>	<u>(75,381)</u>	<u>(338,745)</u>	<u>(1,840,980)</u>

6. PROFIT BEFORE TAX

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit before tax is arrived at after charging/ (crediting):		
Staff costs including directors' emoluments and share-based payments (note)	723,500	707,971
Sub-contracting costs	143,955	139,505
Equipment repair and maintenance costs	52,886	70,910
Utility costs	92,261	80,461
Write back of trade and other receivables previously written off	-	(1,188)
Impairment provision/ (reversal of impairment provision) for trade and other receivables, net	4,809	(32,725)

Note: During the six months ended 30 June 2017, share-based payments to certain directors and senior management amounting to HK\$323,000 (2016: Nil) were recognised in profit or loss, with a corresponding credit to equity.

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Income tax expenses comprise:		
Current tax for the period		
Hong Kong profits tax	797	635
Macau complementary income tax	10	60
PRC Enterprise Income Tax	55,422	37,025
PRC Withholding Income Tax	5,758	6,025
	61,987	43,745
Overprovision in prior years:		
Hong Kong profits tax	-	(77)
Macau complementary income tax	-	(67)
	-	(144)
Deferred tax:		
Current period	(775)	4,316
Total	61,212	47,917

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the period (2016: 16.5%).

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25% (2016: 25%).

Macau complementary income tax is calculated at the prevailing tax rate of 12% in Macau (2016: 12%).

7. INCOME TAX EXPENSES (CONTINUED)

Under the EIT Law of the PRC, withholding income tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards, charging at the prevailing tax rate applied in the PRC tax jurisdiction. Withholding income tax amounting to HK\$5,758,000 (2016: HK\$6,025,000) for the six months ended 30 June 2017 has been provided for in the financial statements in respect of dividends distributed from a PRC subsidiary to the Company during the period.

8. DIVIDENDS

A dividend of HK\$36,155,000 that relates to the year ended 31 December 2016 was paid in June 2017 (2016: HK\$39,442,000).

On 7 August 2017, the board of directors has resolved to declare an interim dividend of HK1.5 cents per share (2016: HK1.1 cents), which is payable to shareholders whose names appear on the register of members on 24 August 2017. This interim dividend, amounting to HK\$49,303,000 (2016: HK\$36,155,000), has not been recognised as a liability in the Interim Financial Statements. It will be recognised in equity in the year ending 31 December 2017.

9. 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:

Earnings

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings for the purpose of basic earnings per share	155,035	114,038

Weighted average number of ordinary shares

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	'000	'000
Adjusted weighted average number of ordinary share for the purpose of basic earnings per share	3,286,860	3,286,860

As there are no dilutive potential ordinary shares as at 30 June 2016 and 30 June 2017, the diluted earnings per share is equal to the basic earnings per share.

10. TRADE AND OTHER RECEIVABLES

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Trade receivables	411,271	253,197
Less: Provision of impairment	(29,188)	(21,583)
Trade receivables, net	382,083	231,614
Other receivables	86,433	58,374
	468,516	289,988

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

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
0–30 days	98,607	57,872
31–90 days	84,884	45,875
91–365 days	141,789	84,290
1–2 years	63,941	30,910
Over 2 years	22,050	34,250
	411,271	253,197

Trade receivables are mainly arisen from property management services income from properties managed under lump sum basis and value-added services income.

Property management services income from properties managed under lump sum basis in the PRC are received in accordance with the terms of the relevant property service agreements. Service income from property management services is due for payment by the residents upon the issuance of demand note.

Property management services income from properties managed under lump sum basis in Hong Kong has average credit period of not exceeding 60 days.

Provision of repair and maintenance, automation and other equipment upgrade services income is received in accordance with the terms of the relevant contract agreements, normally within 60 days from the issuance of payment requests.

Other value-added services income is due for payment upon the issuance of demand note.

At the end of each reporting period, management reviews receivables for evidence of impairment on both an individual and collective basis.

11. TRADE AND OTHER PAYABLES

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Trade payables	385,600	336,857
Temporary receipts from properties managed under commission basis	119,279	137,035
Temporary receipts from properties managed under lump sum basis	123,125	148,319
Accrued staff costs	300,965	295,575
Payables for value-added tax and other levies	16,091	18,494
Other payables	99,712	94,152
	1,044,772	1,030,432

The ageing analysis of trade payables based on invoice date at the end of the reporting period is as follows:

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
0–30 days	93,512	105,253
31–90 days	59,883	82,870
Over 90 days	232,205	148,734
	385,600	336,857

12. BANK BORROWINGS

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Bank loans - unsecured, non-current liabilities	360,000	310,000

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
The bank borrowings are repayable as follows:		
Between 1 and 2 years	310,000	-
Between 2 and 5 years	50,000	310,000
	360,000	310,000

12. BANK BORROWINGS (CONTINUED)

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Carrying amount at the beginning of the reporting period	310,000	184,000
New bank borrowings raised	50,000	256,000
Repayment of bank borrowings	-	(200,000)
Carrying amount at the end of the reporting period	360,000	240,000

Bank borrowings of the Group, amounting to HK\$360.0 million (as at 31 December 2016: HK\$310.0 million), are denominated in Hong Kong dollars and bear interest at the Hong Kong Interbank Offered Rates plus a specified margins, with weighted average effective interest rate of 2.18% per annum (six months ended 30 June 2016: 2.21%).

13. SHARE CAPITAL

Issued and fully paid:

	Number of shares issued and fully paid	Share capital HK\$'000
As at 1 January 2016 and 31 December 2016 (Audited), 1 January 2017 and 30 June 2017 (Unaudited)	3,286,860,460	3,287

INTERIM DIVIDEND

Taking into account the result performance of the Group for the interim period and its future business expansion, the Board declared the payment of an interim dividend of HK1.5 cents per share (2016: HK1.1 cents per share) for the period ended 30 June 2017 that will be payable on Friday, 6 October 2017 to the members of the Company whose names appear on the register of members of the Company as at Thursday, 24 August 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 23 August 2017 to Thursday, 24 August 2017 (both dates inclusive) for the purpose of determining the shareholders' entitlement to the interim dividend. During that period, no transfer of shares will be registered. In order to qualify for entitlement to the interim dividend, all share transfer documents accompanied with the corresponding share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 22 August 2017.

REVIEW OF ACCOUNTS BY AUDIT COMMITTEE

The audit committee of the Company has discussed and reviewed with management the unaudited interim results and condensed consolidated accounts of the Group for the six months ended 30 June 2017.

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

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

Throughout the six months ended 30 June 2017, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its own code for dealing in the securities of the Company by the Directors of the Company. The Company has also established written guidelines on terms whereof being no less exacting than the Model Code (the "Employees Written Guidelines") governing securities transactions by the relevant employees who are likely to possess inside information of the Company and/or its securities.

After specific enquiries by the Company, all Directors of the Company have confirmed that they have complied with the requirements set out in the Model Code throughout the six months ended 30 June 2017. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

CORPORATE GOVERNANCE

The Group acknowledges the important roles of the Board in providing effective leadership and direction to the Group's business, and ensuring transparency and accountability of the Group's operations and the Board recognizes that good corporate governance leads to the success of the

Company and enhances its shareholders' value. As such, the Board is committed to maintaining high standard of business ethics, healthy corporate culture and good corporate governance at all times by establishing and implementing corporate governance policies and practices appropriate to the conduct and growth of the Group's business. During the six months ended 30 June 2017, the Company has adopted and complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

APPRECIATION

I would like to take this opportunity to express sincere appreciation to my fellow Directors and all colleagues for their hard work and to our business partners and shareholders for their longstanding support.

By Order of the Board

China Overseas Property Holdings Limited

Yan Jianguo

Chairman and Non-executive Director

Hong Kong, 7 August 2017

As at the date of this announcement, the Board comprises eight Directors, of which one is Non-executive Director, namely Mr. Yan Jianguo (Chairman); four are Executive Directors, namely Ms. Wang Qi (Vice Chairman and Chief Executive Officer), Mr. Luo Xiao (Vice President), Mr. Shi Yong (Vice President) and Mr. Kam Yuk Fai (Deputy Chief Financial Officer); and three are Independent Non-executive Directors, namely Mr. Lim Wan Fung, Bernard Vincent, Mr. Suen Kwok Lam and Mr. Yung Wing Ki, Samuel.