



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

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : 2669

我們
經營

幸福

We Manage

Happiness



Interim Report
中期報告
2022

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Corporate Information

(As at 31 August 2022, date of this Interim Report)

BOARD OF DIRECTORS

Executive Directors

Zhang Guiqing (*Chairman*)
Yang Ou (*Chief Executive Officer*)
Pang Jinying (*Vice President*)
Kam Yuk Fai (*Chief Financial Officer*)

Non-executive Directors

Ma Fujun
Guo Lei

Independent Non-executive Directors

Yung, Wing Ki Samuel
So, Gregory Kam Leung
Lim, Wan Fung Bernard Vincent

COMMITTEES

Audit Committee

Yung, Wing Ki Samuel (*Chairman*)
So, Gregory Kam Leung
Lim, Wan Fung Bernard Vincent

Nomination Committee

Zhang Guiqing (*Chairman*)
Yung, Wing Ki Samuel
So, Gregory Kam Leung
Lim, Wan Fung Bernard Vincent

Remuneration Committee

So, Gregory Kam Leung (*Chairman*)
Zhang Guiqing
Yung, Wing Ki Samuel
Lim, Wan Fung Bernard Vincent

Sustainability Steering Committee

Lim, Wan Fung Bernard Vincent (*Chairman*)
Zhang Guiqing
Yang Ou
Yung, Wing Ki Samuel
So, Gregory Kam Leung

AUTHORIZED REPRESENTATIVES

Zhang Guiqing
Yang Ou
Pang Jinying (*alternate to Zhang Guiqing*)
Kam Yuk Fai (*alternate to Yang Ou*)

COMPANY SECRETARY

Wong Yee Wah

INDEPENDENT AUDITOR

Ernst & Young
*Certified Public Accountants and
Registered PIE Auditor*

REGISTERED OFFICE

Cricket Square, Hutchins Drive,
PO Box 2681, Grand Cayman KY1-1111,
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 703, 7/F, Three Pacific Place,
1 Queen's Road East,
Hong Kong
Telephone: (852) 2988 0600
Facsimile: (852) 2988 0606

BRANCH OFFICE IN HONG KONG

19th Floor, China Overseas Building,
No.139 Hennessy Road and
No.138 Lockhart Road, Wanchai,
Hong Kong
Telephone: (852) 2823 7088
Facsimile: (852) 3102 0683

Corporate Information *(continued)*

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive,
PO Box 2681, Grand Cayman KY1-1111,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre,
16 Harcourt Road, Hong Kong

LEGAL ADVISORS

As to Hong Kong laws:

Woo Kwan Lee & Lo

As to Cayman Islands laws:

Conyers Dill & Pearman

PRINCIPAL BANKERS

(In Alphabetical Order)

Bank of China (Hong Kong) Limited

Bank of Communications Co., Ltd.,
Hong Kong Branch

China Construction Bank Corporation

China Merchants Bank Co., Ltd.

The Hongkong and Shanghai Banking
Corporation Limited

INVESTOR AND PUBLIC RELATIONS

Corporate Communications Department
Telephone: (852) 2988 0600
Facsimile: (852) 2988 0606
Email: copl.ir@cohl.com

STOCK CODE

The Stock Exchange of Hong Kong*	2669
Bloomberg	2669:HK
Reuters	2669.HK

* Currently one of the eligible securities for Southbound Trading under the Shenzhen — Hong Kong Stock Connect

COMPANY WEBSITE

www.copl.com.hk

FINANCIAL CALENDAR 2022

Interim Results Announcement	31 August
Interim Dividend Ex-dividend Date	26 September
Closure of Register of Members	28 September to 30 September (both days inclusive)
Interim Dividend Entitlement Record Date	30 September
Interim Dividend Payment Date	14 October

Chairman's Statement

I am pleased to announce the unaudited interim results of China Overseas Property Holdings Limited (the "Company" or "COPL") and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2022. The six-month turnover of the Group amounted to HK\$5,813.9 million, representing an increase of 35.3% compared to the turnover of HK\$4,295.6 million for the corresponding period last year. Operating profit for the period rose by 29.6% to HK\$706.7 million when compared to the last corresponding period (2021: HK\$545.3 million). The profit attributable to shareholders of the Company increased by 32.7% to HK\$521.7 million (2021: HK\$393.1 million). Basic and diluted earnings per share was HK15.87 cents (2021: HK11.96 cents). Average return on equity was 33.8% (2021: 34.3%). After taking into account the Group's dividend policy, interim business results and future business development plans, the Board declared an interim dividend of HK4.0 cents (2021: HK3.0 cents) per share for the six months ended 30 June 2022.

In the first half of 2022, the global environment was complex and challenging, and the world was still plagued by COVID-19 pandemic. Outbreaks of the disease in certain regions in China increased the downward pressure on the economy. But, the highly effective coordination of epidemic prevention and control coupled with continuous achievements in the economic and social development, as well as a package of policies and measures on stabilising the economy have been effectively implemented, that stabilising growth and stimulating consumption in every aspects and details, the overall consumer demand continued to resume momentum, and the economy stabilised and rebounded. As the neighbourhood guardian to the people, COPL took the initiative in various cities including Hong Kong, Shenzhen, Shanghai, Jilin, Beijing, to bravely take responsibilities and fully cooperate with the anti-pandemic works of municipal governments, proactively respond to emergencies such as mobile cabin facilities management and city lockdown control, etc. We have once again demonstrated the responsibility and commitment of a central stated-owned enterprise in endeavoring in protecting the health and safety of citizens and residents, and have contributed to the implementation of the general epidemic prevention policy of "Dynamic Clearing", thus strike equal balance between efficient coordination of epidemic prevention and control, and maintaining production and operation.

Chairman's Statement *(continued)*

Entering the year poised to take off the Group's "14th Five-Year strategic plan", we are well positioned to look for opportunities amidst crisis and changes. The Group adheres to the general principle of "maintaining rapid growth" to accumulate critical mass for further ventures. With the corporate vision of "To be an Outstanding Global Service Provider in Asset Management" and the corporate mission of "We Manage Happiness", COPL adheres to the performance pledge of "Property Assets to be Entrusted" while leading a new journey with "1155" strategic objectives and measures: Having the goal of revitalising the "No.1 Butler" gilded signboard, we continue to define industry standards and strive to become the leading brand in the industry. We pursue sustainable, balanced, healthy and quality development and regard it as "One Core", and build "Five Benchmarks", including customer satisfaction benchmark, city and property project benchmark, operational results growth benchmark, sub-brand benchmark, and employee market value and team capability benchmark, as well as aim for "Brilliance in Five Competencies", in respect of service, product, market, technology and organisation.

We insist on consolidating our existing strengths in the basic services of core stream business to penetrate well into and cultivate existing markets, building a moat mechanism, vigorously incubating innovative businesses, and continuing to actively explore external expanding markets. We also make use of technology-enabled digitalisation and intelligent transformation to facilitate a high quality and diversified upgrade on our property management services business, so as to meet our customers' ever-increasing demand for a wonderful living condition. As an avant-garde in the property management industry in the People's Republic of China ("PRC" or "China") with first-class qualifications, the Group started its property management service in Hong Kong in 1986, with 36 years of cultivation in Hong Kong and Macau. We set foot in Mainland China in 1991 and have achieved remarkable results. The Group fully integrates the property management experiences in Hong Kong into the practical situation in Mainland China. The Group firmly believes in "Quality and Enthusiasm", which has guided us through the years and will direct our future development. We adhere to the brand concept of "Building Happiness and Leading the Trend" to reflect the enterprise value, the enterprise spirit of "To Forge Ahead with All One's Heart Everyday" to attain well-rounded improvement in capabilities, the core value of "Customer-Oriented, Guaranteed Quality and Value Creation" to fulfill our mission and move towards our vision. In this period of uncertainty and rapid changes in the external environment, we stay true to our mission and implement prudent measures with perseverance. We are committed to achieving long-term sustainable and steady growth for our shareholders by cultivating the quality of our services and seeking win-win cooperation.

Chairman's Statement *(continued)*

In order to ensure a stable and sustainable long-term operation, we have always been committed to the sincere attitude of "Serving with Heart Every Single Day". We have been endeavoring along the road to standardisation and refinement of property management. Our confidence in achieving sustainable and steady growth in the long run also stems from the accelerated urbanisation in China, which has pushed the property management industry entering into a period of rapid development, industrial growth and stability. With the gradual recognition of the value of quality services in the market, the Group's market expansion and service product development capabilities have been enhanced significantly. Meanwhile, the sustainability governance structure has been restructured with clear terms of reference of each function unit within the structure. A "Three-Year Sustainability Roadmap" has been formulated, allowing the Group to gradually promote its sustainability. In the first half of 2022, the Group had a cumulative presence in 142 cities, covering Hong Kong and Macau, and a current workforce of approximately 53,893 employees, with 393 pre-sales sites projects under management and 1,451 property management projects with service area of nearly 287.2 million square meters ("sq.m."). We continued to diversify our property management portfolio and made new breakthroughs in expanding to non-residential areas, further diversifying our product portfolio consisting of commercial complexes, offices, shopping centers, industrial parks, aviation, high-speed rail, hospitals, schools, government properties, city services, parks, ports, roads and bridges, bus terminus and other public facilities. We secured new contracts of Chengdu China Overseas International Center (成都中海國際中心), Wuhan China Overseas Center (武漢中海中心), Hangzhou Haiwei Center (杭州海威中心), Suzhou Zhuhui Hotel (蘇州竹輝環宇薈), Shenzhen Guanshan Court (深圳觀山苑), Shanghai New Westgate Garden (上海老西門新苑), Wuhan Chutian City Elegant Garden (武漢楚天都市雅園), Peking Union Medical College Hospital (West) (北京協和醫院西單院區) and other projects, and tapped into the first "Property City" project in Urumqi, Xinjiang. In Hong Kong and Macau regions, we extended our services to approximately 50% hospital projects under Hospital Authority and the headquarters building of Hospital Authority. Currently, our government management projects cover nine bureaux and 21 executive departments. We are now the largest provider of property management services for government facilities in Hong Kong and the leading Chinese property management services corporation in Hong Kong and Macau regions.

Chairman's Statement *(continued)*

We continued to build our leading product innovative abilities, and Xingqi Platform Product (星啟中台產品) has been put into use in several projects such as Hangzhou Outlets (杭州奧特萊斯), Southern Investment Headquarters (南方投資總部大廈), Jinan Rural Commercial Bank (濟南農商行) and other projects. We commenced construction of benchmark projects and completed acceptance of the first batch of twelve benchmark projects in ten cities, integrating the concept of innovation leading, outstanding quality, co-construction and co-use, sustainable development into the whole process of project operation with high-standard positioning and high-quality operation. We continued to promote full lifecycle services in property development. We provide property developers with whole-process property consultation and management services, including product positioning consultation, gardening, interior fine furnishing, vetting of building plans, equipment and facility selection advice, decoration supplies sales agency, pre-delivery marketing value-added services, sales of residual flats, contracting of basic positions, carefree property service products with perfect delivery support services, delivery inspection services and quality control of engineering services, etc., marking a significant improvement of capabilities in the integration of our upstream and downstream supply chain.

Currently, the Group serves over 100 corporate customers who are the world's top 500 companies and becomes the most reliable business partner of central enterprises, state-owned enterprises and private enterprises. We were named "2022 China Top 100 Property Management Companies" (2022中國物業服務百強企業), "2022 China Top 10 Property Management Companies in terms of Service Scale" (2022中國物業服務百強企業服務規模TOP10), "2022 China Top 10 Property Management Companies in terms of Operating Performance" (2022中國物業服務百強企業經營績效TOP10) and 2022 China Top 100 Property Service Satisfaction Leading Company (2022中國物業服務百強滿足度領先企業). In recent years, we were included as a constituent in Morgan Stanley Capital International Index (MSCI) China Index and were admitted in the Shanghai-Hong Kong connect list as well as Hang Seng Property Service and Management Index, receiving high recognition from the capital market.

Chairman's Statement *(continued)*

COPL's "Xinghai Wulian" (興海物聯) comprehensively promotes the research and breakthrough of key technologies. Its research center has passed the highest worldwide certificate; the "Research of IoT Platform Technology for Buildings" (建築聯網平台技術研究) has reached the international advanced level; and the "IoT Model Rule Platform for Buildings" (建築物聯網物模型規則平台) has been selected as a showcase project by the Ministry of Industry and Information Technology of the PRC. "Xinhai Wulian" will further strengthen its coordination, focus on its main business, facilitate the dynamic refinement of management, and promote digital transformation in order to take the lead in the technology sector. At the same time, our "Mepork Engineering" (美博工程) provides various value-added engineering services to corporate clients and property owners in accordance with the timeline of buildings, which mainly include construction and maintenance, early involvement and quality control, inspection, decoration and renovation, mechanical and electrical installation, landscape construction, and maintenance and repair, etc. We will adhere to the four implementation principles of strategic operation, market orientation, internal collaboration, and city cultivation to steadily promote the incubation of new businesses and contribute to the growth of the value-added business segment.

We pushed ahead with the idea of strengthening enterprises through deploying talents and built a commonly acclaimed motto by using the concept of "To Assemble the Enterprising Ones and Motivate the Promising Ones". We proactively explored and took full advantage of the market-oriented principle. We implemented the reform of "Project General Manager Partnership System" (項目總經理合夥人制) through management model innovation, and enhanced the four major abilities of our project teams, including "to manage", "to be professional", "to operate successful businesses" and "to generate increments". We built the competence and performance capacity of the project teams in a comprehensive manner, raised their sense of work planning and the awareness of sustainable business, and reinforced their sense of innovation and the ability to generate increments. We controlled back-office management fee rate at a reasonable level with a market-oriented performance incentive system and intensive project management model, and achieved human resource sharing and boosted management efficiency through business partnership incentive, a workload-based rewarding system, stimulated vitality, and rational staff deployment, thereby creating a regional advantage, area advantage and team advantage.

Chairman's Statement *(continued)*

The “UN+ Butler Partnership System” (優管家合夥人制) is also an integral part of our reform of the project management model, which can stimulate the vitality of the butler team and the proactiveness of the staff to the fullest extent. Employees are encouraged to establish a good foundation for basic property services while actively expanding value-added services at the user end, so as to achieve the goal of a win-win situation in terms of personal income and corporate revenue generation. Partners who encounter new problems and issues in practice should take the initiative to step out of their comfort zone, overcome cognitive blind spots, and learn and practice with a problem-solving and goal-setting mindset. Through the partnership system, we will seek and cultivate a group of project general managers who are professionally qualified, proactive to undertake responsibilities and determined to seek the realisation of higher self-value in the future. The new model of professional fundamental business reform is in full swing, with engineering station reform realising resource sharing and planned batch operations to achieve continuous optimisation of labour costs and gradual improvement of labour efficiency. The reform of the precise cleaning business model creates a new environment to provide employees with workload-based rewards and improve efficiency through differentiated and quantifiable service menu design, while effectively mitigating the pressure on gross profit margins due to rising costs. Safe and intelligent staff deployment realises the differentiation of job standards, job matching and job professionalisation to fully optimise security job positions, improve job performance and better help enhance service quality.

At 10 February 2022, the General Office of the State Council issued the “14th Five-Year Plan for Urban and Rural Community Service System Construction” (《「十四五」城鄉社區服務體系建設規劃》) with the view to encourage the continuous expansion of the business coverage of property management in terms of improving social governance at the grassroots level, enhancing service provision, increasing service efficiency, accelerating the speed of construction digitisation and other areas. It also aims at promoting the extension of basic public service resources in the community and vigorously developing the community life service industry. Looking ahead, we will pass on the spirit of “Leading the Trend”, and we must learn, take responsibility, and strive hard amidst the fierce market-oriented competition. We pursue balanced, sustainable, healthy, and high-quality development and regard it as “One Core”, and we are devoted to revitalising our “No.1 Butler” gilded signboard.

Chairman's Statement *(continued)*

Finally, I would like to express my heartfelt gratitude to the Board and all employees for their efforts and to our business partners and shareholders for their long-term supports.

Zhang Guiqing

Chairman and Executive Director

Hong Kong, 31 August 2022

Management Discussion & Analysis

BUSINESS REVIEW

REVENUE AND OPERATING RESULTS

The Group is one of the leading property management companies in the People's Republic of China ("PRC"), with operations covering Hong Kong and Macau. Our management portfolio includes both residential properties and non-residential properties, such as commercial complexes, office buildings, shopping malls, industrial parks, aviation, high-speed rail, hospitals, schools, government properties, city services, parks, ports, roads and bridges, bus terminus and other public facilities. Through providing high-quality and sophisticated services to the customers and maximising customer satisfaction, we strive to preserve and add value to the properties under our management and to solidify our strong brand recognition as a renowned property management service provider for mid- to high-end properties in our core stream business.

By leveraging on the Group's brand equity and size advantage, we pro-actively commenced market expansion to enlarge operating scale, partly via equity investment, and by way of securing more projects from independent third parties through enriching the market components. As at 30 June 2022, the GFA under our management increased by 27.2 million sq.m. or 10.5% to 287.2 million sq.m. from 260.0 million sq.m. at the last year end, in which, 64.7% of the new projects with a contract sum of HK\$1,459.7 million was secured from independent third parties.

The following table sets forth a breakdown of the new orders secured by the Group by source of projects during the six months ended 30 June 2022:

	New orders secured during the period		
	GFA under management	Contract sums	
	million sq.m.	%	HK\$ million
Source of projects:			
China State Construction and China Overseas Group <i>(Note)</i>	9.6	35.3%	1,097.7
Independent third parties	17.6	64.7%	1,459.7
Total	27.2	100.0%	2,557.4

Note: "China State Construction and China Overseas Group" represented members under China State Construction Engineering Corporation and China Overseas Holdings Limited (including its subsidiaries, joint ventures and associates).

Management Discussion & Analysis *(continued)*

BUSINESS REVIEW *(continued)*

REVENUE AND OPERATING RESULTS *(continued)*

We promoted vertical and horizontal exploration of customer resources by consolidating the existing resources and actively seeking new ones to achieve diversification, new GFA contributed from residential projects and non-residential projects was 66.2% and 33.8% respectively, with corresponding contract sums amounting to HK\$1,405.6 million and HK\$1,151.8 million respectively. These continuously strengthened our revenue base and improved our market competitive position.

The following table sets forth a breakdown of the new orders secured by the Group by project types during the six months ended 30 June 2022:

	New orders secured during the period		
	GFA under management		Contract sums
	million sq.m.	%	HK\$ million
Project types:			
Residential projects	18.0	66.2%	1,405.6
Non-residential projects	9.2	33.8%	1,151.8
— <i>Commercial and office buildings</i>	1.8	6.6%	309.7
— <i>Public and other properties</i>	7.4	27.2%	842.1
Total	27.2	100.0%	2,557.4

Management Discussion & Analysis *(continued)*

BUSINESS REVIEW *(continued)*

REVENUE AND OPERATING RESULTS *(continued)*

2022 is the year poised to take off the Group's "14th Five-Year strategic plan". We insisted on accumulating strength, seeking progress while maintaining stability, and promoting high-quality development under the circumstances of the volatile global environment and the continuing pneumonia epidemic. During the six months ended 30 June 2022, total revenue increased by 35.3% to HK\$5,813.9 million (2021: HK\$4,295.6 million), which mainly arisen from (i) the increase in GFA under our management dominated by lump-sum basis contracts; (ii) business growth on value-added services to both non-residents and residents; and (iii) the continuous increase in sales of car parking spaces.

The following table sets forth a breakdown of the Group's revenue for the first half of 2022:

	For the six months ended 30 June					
	2022		2021		Change	
	Proportion	Revenue HK\$'000	Proportion	Revenue HK\$'000	HK\$'000	%
Project management services:						
— Lump sum basis	72.8%	4,235,150	67.4%	2,892,794	1,342,356	46.4%
— Commission basis	2.6%	152,235	3.5%	150,988	1,247	0.8%
	75.4%	4,387,385	70.9%	3,043,782	1,343,603	44.1%
Value-added services:						
— Non-residents	14.9%	865,562	18.5%	797,316	68,246	8.6%
— Residents	7.8%	453,307	9.0%	385,126	68,181	17.7%
	22.7%	1,318,869	27.5%	1,182,442	136,427	11.5%
Car parking space trading business	1.9%	107,621	1.6%	69,409	38,212	55.1%
Total	100.0%	5,813,875	100.0%	4,295,633	1,518,242	35.3%

Management Discussion & Analysis *(continued)*

BUSINESS REVIEW *(continued)*

REVENUE AND OPERATING RESULTS *(continued)*

On the other hand, direct operating expenses raised slightly faster than our revenue growth at 36.9% to HK\$4,936.5 million for the period (2021: HK\$3,605.5 million), which mainly reflected (i) organic growth on property management services and value-added services; and (ii) additional costs incurred on prevention and control measures against the rebound of the COVID-19 pandemic of approximately HK\$44.2 million (2021: HK\$5.0 million).

In spite of gross profit margin declined relatively to 15.1% for the period (2021: 16.1%), with increasing business scale, gross profit increased by 27.1% to HK\$877.4 million for the period (2021: HK\$690.2 million).

Other income and gains, net was HK\$82.2 million for the period (2021: HK\$59.9 million), mainly represented by unconditional government grants, interest income and net exchange gain. The first two income in total, increased by approximately HK\$6.9 million, benefiting from more government subsidies on COVID-19 pandemic, tax incentives and other financial subsidies, as well as arising from a higher level of cash balances comparing with last period together with effective treasury management. The increase in net exchange gain of HK\$14.6 million for the period was mainly attributable to the settlement gain on Renminbi remittance to Hong Kong.

Fair value gain on investment properties for the period was minimal at HK\$0.2 million (2021: fair value gain of HK\$0.4 million).

Management Discussion & Analysis *(continued)*

BUSINESS REVIEW *(continued)*

REVENUE AND OPERATING RESULTS *(continued)*

After deducting selling and administrative expenses of HK\$221.9 million (2021: HK\$200.6 million) and net impairment of trade and retention receivables, and payments on behalf of property owners for properties managed on a commission basis of HK\$31.0 million for the period (2021: HK\$4.6 million), operating profit increased by 29.6% to HK\$706.7 million (2021: HK\$545.3 million). The increase in selling and administrative expenses was mainly due to increase in manpower and salary level year on year driven by continuous scale expansion. The increase in net impairment of trade and retention receivables and payments on behalf of property owners for properties are the compound effects of (i) continuing expansion of operating scale but at lower impairment rate on trade and retention receivables of 5.8% (At 30 June 2021: 6.7%) for the period due to stringent controls on the age of debts; and (ii) increase in net impairment on commission-based projects of HK\$9.6 million that were more vulnerable to uncertain market conditions as affected by the pandemic disease (2021: net reversal of impairment of HK\$7.4 million).

Income tax expenses increased by 20.6% to HK\$180.2 million for the period (2021: HK\$149.4 million), mainly due to increase in profit before tax charged at different applicable regional tax rates. Among that, withholding income tax provision of HK\$10.4 million (2021: HK\$17.2 million) in respect of dividends distributed/expected to be distributed from a PRC subsidiary was recognised during the period.

Overall, profit attributable to shareholders of the Company for the six months ended 30 June 2022 increased by 32.7% to HK\$521.7 million against the last corresponding period (2021: HK\$393.1 million).

SEGMENT INFORMATION

PROPERTY MANAGEMENT SERVICES

At 30 June 2022, total GFA under management increased to 287.2 million sq.m. that was 10.5% more comparing with the end of last year (At 31 December 2021: 260.0 million sq.m.), in which, the portion of GFA under management from independent third parties and from non-residential projects increased to 31.1% and 23.8% respectively (At 31 December 2021: 27.6% and 22.8% respectively).

Management Discussion & Analysis *(continued)*

SEGMENT INFORMATION *(continued)*

PROPERTY MANAGEMENT SERVICES *(continued)*

The following table sets forth a breakdown of the Group's GFA under management by source of projects as at period end:

	As at 30 June 2022		As at 31 Dec 2021	
	GFA under management million sq.m.	%	GFA under management million sq.m.	%
Source of projects:				
China State Construction and China Overseas Group	198.0	68.9%	188.4	72.4%
Independent third parties	89.2	31.1%	71.6	27.6%
Total	287.2	100.0%	260.0	100.0%

The following table sets forth a breakdown of the Group's GFA under management by project types as at period end:

	As at 30 June 2022		As at 31 Dec 2021	
	GFA under management million sq.m.	%	GFA under management million sq.m.	%
Project types:				
Residential projects	218.7	76.2%	200.7	77.2%
Non-residential projects	68.5	23.8%	59.3	22.8%
— Commercial and office buildings	14.4	5.0%	12.6	4.9%
— Public and other properties	54.1	18.8%	46.7	17.9%
Total	287.2	100.0%	260.0	100.0%

Management Discussion & Analysis *(continued)*

SEGMENT INFORMATION *(continued)*

PROPERTY MANAGEMENT SERVICES *(continued)*

Revenue from property management services constituted 75.4% of total revenue for the six months ended 30 June 2022 (2021: 70.9%), and increased by 44.1% from last corresponding period to HK\$4,387.4 million (2021: HK\$3,043.8 million), which was mainly arisen from the increase in GFA under our management from lump-sum basis contracts.

During the period, approximately 96.5% and 3.5% of the segment revenue were generated from regular property management contracts under lump sum basis and commission basis respectively (2021: 95.0% and 5.0% respectively).

The following table sets forth a breakdown of the Group's segment revenue from property management services for the period:

	For the six months ended 30 June					
	2022		2021		Change	
	Segment revenue HK\$'000	%	Segment revenue HK\$'000	%	HK\$'000	%
Property management services:						
— Lump sum basis	4,235,150	96.5%	2,892,794	95.0%	1,342,356	46.4%
— Commission basis	152,235	3.5%	150,988	5.0%	1,247	0.8%
Total	4,387,385	100.0%	3,043,782	100.0%	1,343,603	44.1%

Management Discussion & Analysis *(continued)*

SEGMENT INFORMATION *(continued)*

PROPERTY MANAGEMENT SERVICES *(continued)*

As at 30 June 2022, the ratio of GFA under management from lump sum basis and commission basis was 74.9% to 25.1% (At 31 December 2021: 72.4% to 27.6%).

The following table sets forth a breakdown of the Group's GFA under management by contract bases as at period end:

	As at 30 June 2022		As at 31 Dec 2021	
	GFA under management million sq.m.	%	GFA under management million sq.m.	%
Contract bases:				
Property management contracts under lump sum basis	215.0	74.9%	188.4	72.4%
Property management contracts under commission basis	72.2	25.1%	71.6	27.6%
Total	287.2	100.0%	260.0	100.0%

During the period, the segment gross profit margin from regular property management contracts under lump sum basis and commission basis was 10.0% and 100.0% respectively (2021: 9.3% and 100.0% respectively). Overall, the weighted average segment gross profit margin decreased slightly to 13.1% for the period (2021: 13.8%), mainly due to higher proportion of lump-sum basis contracts upon market expansion in property management sector. The increase in gross profit margin under lump sum basis was mainly arisen from enhanced cost control measures, even though additional costs in response to the rebound of the COVID-19 pandemic were borne.

Management Discussion & Analysis *(continued)*

SEGMENT INFORMATION *(continued)*

PROPERTY MANAGEMENT SERVICES *(continued)*

Accordingly, with continuing increase in segment revenue, the gross profit of our property management services segment increased by 37.4% to HK\$576.5 million from last corresponding period for the six months ended 30 June 2022 (2021: HK\$419.7 million).

The following table sets forth a breakdown of the Group's gross profit and gross profit margin of property management services for the period:

	For the six months ended 30 June					
	2022		2021		Change in gross profit	
	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	HK\$'000	%
Property management services:						
— Lump sum basis	424,297	10.0%	268,699	9.3%	155,598	57.9%
— Commission basis	152,235	100.0%	150,988	100.0%	1,247	0.8%
Total	576,532	13.1%	419,687	13.8%	156,845	37.4%

After deducting segment administrative expenses and net impairment of trade and retention receivables, and payments on behalf of property owners for properties managed on a commission basis, as well as taking into account of other income, the segment profit of the property management services increased by 29.9% to HK\$487.4 million for the period (2021: HK\$375.2 million).

Management Discussion & Analysis *(continued)*

SEGMENT INFORMATION *(continued)*

VALUE-ADDED SERVICES TO NON-RESIDENTS

Value-added services to non-residents sub-segment cover engineering, vetting of building plans, facilities and equipment evaluation proposals, pre-delivery, move-in assistance, delivery inspection, engineering service quality monitoring and consulting services, etc. for property developers and other property management companies. For the six months ended 30 June 2022, revenue from the non-residents sub-segment constituted 14.9% (2021: 18.5%) of total revenue, and moderately increased by 8.6% to HK\$865.6 million (2021: HK\$797.3 million). The increase in segment revenue was mainly arisen from (i) expansion of Xinghai Wulian's intelligent building & construction and hardware sales business for the development of smart communities to meet projects' smart park experience; and (ii) increase in business volumes on repair and maintenance services provided to business entities and owners around the building timeline through Mepork Engineering. However, the above favorable factors were partly offset by the decline in pre-delivery services (such as security, cleaning and repair and maintenance services for display units in pre-sales offices for developing properties) and consultancy services upon the setback of real estate sector in the PRC.

The following table sets forth a breakdown of the Group's sub-segment revenue from value-added services to non-residents for the period:

	For the six months ended 30 June			
	2022 Sub-segment revenue HK\$'000	2021 Sub-segment revenue HK\$'000	Change	
			HK\$'000	%
Value-added services to non-residents:				
Engineering services	448,246	308,550	139,696	45.3%
Pre-delivery services	303,457	388,283	(84,826)	(21.8)%
Inspection services	94,965	59,898	35,067	58.5%
Consulting services	18,894	40,585	(21,691)	(53.4)%
Total	865,562	797,316	68,246	8.6%

Management Discussion & Analysis *(continued)*

SEGMENT INFORMATION *(continued)*

VALUE-ADDED SERVICES TO NON-RESIDENTS *(continued)*

In respect of the profitability, the gross profit margin of the value-added services to non-residents sub-segment for the period decreased to 15.4% (2021: 17.1%) mainly due to decline in business volumes of pre-delivery services. Overall, the sub-segment gross profit slightly dropped by 1.9% to HK\$133.7 million (2021: HK\$136.3 million).

After having allowed for lower sub-segment overhead for the period, the sub-segment profit from value-added services to non-residents, increased by 11.0% to HK\$88.9 million against last period (2021: HK\$80.1 million). The reduction in overhead was mainly attributable to (i) more research and development expenditures (including smart park platform and product line business analysis) were capitalised, while Xinghai Wulian strived to achieve “leadership in technology” and build core competitiveness; and (ii) enhanced cost control measures.

VALUE-ADDED SERVICES TO RESIDENTS

In respect of value-added services to residents sub-segment, our services cover (i) community asset management services (such as rental assistance, agency and custody for real estate transactions, common area rental assistance and rental of self-owned properties); (ii) living service operations (to meet the various needs of residents of the properties, including housing ecology, home improvement, decoration supplies sales agency, new retail, home services, tourism and leisure, education and training, health and elderly care, automotive services, platform services, etc.); and (iii) commercial service operations (to meet the needs of business users). Both of the customers’ recognition of our traditional property management services, and diversification of our product offerings and marketing channels through services offered with our online-to-offline platform facilitates meeting the various needs of residents of the properties, which promotes the life style quality and satisfaction of our customers.

Management Discussion & Analysis *(continued)*

SEGMENT INFORMATION *(continued)*

VALUE-ADDED SERVICES TO RESIDENTS *(continued)*

For the six months ended 30 June 2022, revenue from the residents sub-segment constituted 7.8% (2021: 9.0%) of total revenue, and increased by 17.7% to HK\$453.3 million (2021: HK\$385.1 million), mainly arisen from the increase in demand on retails and group purchases under living service operations as well as advertisements and common area rental assistance under community asset management, when residents spent more time at home under the epidemic. However, it was partially offset by the decrease in business volumes of agency for real estate transactions under community asset management upon the setback in real estate sector.

The following table sets forth a breakdown of the Group's sub-segment revenue from value-added services to residents for the period:

	For the six months ended 30 June			
	2022 Sub-segment revenue HK\$'000	2021 Sub-segment revenue HK\$'000	Change	
			HK\$'000	%
Value-added services to residents:				
Community asset management services	244,556	245,488	(932)	(0.4)%
Living service operations and commercial service operations	208,751	139,638	69,113	49.5%
Total	453,307	385,126	68,181	17.7%

Management Discussion & Analysis *(continued)*

SEGMENT INFORMATION *(continued)*

VALUE-ADDED SERVICES TO RESIDENTS *(continued)*

The gross profit margin of value-added services to residents sub-segment was 30.3% (2021: 29.5%). Accordingly, driven by increasing revenue, the sub-segment gross profit of value-added services to residents increased by 20.8% to HK\$137.2 million (2021: HK\$113.6 million).

After having allowed for sub-segment overhead, the sub-segment profit from value-added services to residents increased by 21.5% to HK\$132.6 million against last period (2021: HK\$109.1 million).

CAR PARKING SPACES TRADING BUSINESS

Through acquiring unfettered rights and ability to control and coordinate the sales of the car parking spaces at the properties under the Group's management, the Group can create greater ease and value to the residents of such properties, and thereby enhance the Group's overall management of the amenities within such properties. This in turn also enable the Group to take advantage of its existing abundance of cash balance and increase the shareholders' value.

During the six months ended 30 June 2022, through our incentive scheme to enhance sales momentum, revenue from the car parking spaces trading business segment raised by 55.1% to HK\$107.6 million from last period (2021: HK\$69.4 million). Total number of car parking spaces sold was 955 (2021: 563), with segment profit increased to HK\$29.1 million (2021: HK\$19.4 million) in the period.

LIQUIDITY, FINANCIAL RESOURCES AND DEBT STRUCTURE

The Group adopts prudent financial policies, with effective financial and cash management under centralised supervision, and maintains appropriate leverage with adequate cash balances. As at 30 June 2022, the Group was in a net cash position with net working capital amounted to HK\$2,720.2 million (At 31 December 2021: HK\$2,516.9 million).

Bank balances and cash decreased by 16.9% to HK\$3,557.6 million from last year end (At 31 December 2021: HK\$4,283.4 million), in which, 88.7% were denominated in Renminbi and 11.3% were denominated in Hong Kong Dollar/Macau Pataca.

Management Discussion & Analysis *(continued)*

LIQUIDITY, FINANCIAL RESOURCES AND DEBT STRUCTURE *(continued)*

At 30 June 2022, the Group had unsecured bank borrowings amounted to HK\$449.8 million to fund working capital, of which HK\$416.7 million and HK\$33.1 million were repayable within 1 year and between 1 and 5 years respectively. In additions, 15.5% were denominated in Renminbi and 84.5% were denominated in Hong Kong Dollar. Interest of such borrowings were charged at floating rates with a weighted average of 1.64% 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 considers 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 any 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 adverse effect on our business and operations due to the devaluation of Renminbi.

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 EXPENDITURES

The capital expenditures, which mainly represent additions to investment properties, leasehold improvement, motor vehicles, machinery and equipment, furniture, fixtures, office equipment, leasehold right-of-use assets (including capitalised lease commitments) and software systems, were HK\$101.7 million for the six months ended 30 June 2022. Among that, as announced on 28 April 2022, the Group leased a property in Chengdu, China for providing one-stop shop asset management services from an indirect wholly-owned subsidiary of China State Construction Engineering Corporation, which is the ultimate holding company of the Group, which was recognised as an investment property held as a right-of-use asset in accordance with Hong Kong Financial Reporting Standards, at the present value of RMB31.9 million (equivalent to approximately HK\$38.6 million).

Management Discussion & Analysis *(continued)*

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2022, the capital commitments of the Group were HK\$4.9 million, which mainly related to capital investment in a joint venture and acquisition of software. In additions, the Group provided counter-indemnities to a fellow subsidiary and banks amounting to approximately HK\$278.6 million, 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.

Meanwhile, as announced on 28 April 2022 and 29 June 2022, in order to substitute the Group's certain requirements upon participating in competitive tenders on projects under China Overseas Land & Investment Limited, China State Construction International Holdings Limited and China Overseas Grand Oceans Group Limited, we provided corporate guarantees to them up to an aggregate amount of RMB30.0 million (equivalent to approximately HK\$35.3 million), RMB30.0 million (equivalent to approximately HK\$35.3 million) and RMB20.0 million (equivalent to approximately HK\$23.5 million) respectively.

Except as disclosed above, we had no other material capital commitments and outstanding contingent liabilities as at 30 June 2022.

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 2022.

EMPLOYEES

As at 30 June 2022, the Group had approximately 53,893 employees (At 31 December 2021: 52,220). The pay levels of these employees are commensurate with their responsibilities, performance and the prevailing market conditions. 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 2022 was approximately HK\$3,053.5 million (2021: HK\$2,270.6 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.

Condensed Consolidated Statement of Profit or Loss

The unaudited condensed consolidated results of the Group for the six months ended 30 June 2022 and the comparative figures for the corresponding period in 2021 are as follows:

	Notes	Six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Revenue	5	5,813,875	4,295,633
Direct operating expenses		(4,936,474)	(3,605,479)
Gross profit		877,401	690,154
Other income and gains, net	6	82,174	59,875
Fair value gain of investment properties, net		155	444
Selling and administrative expenses		(221,946)	(200,575)
Impairment of financial assets, net		(31,042)	(4,592)
Operating profit		706,742	545,306
Finance costs	7	(3,914)	(1,435)
Share of profit of a joint venture		2,444	861
Share of profit of an associate		82	93
Profit before tax	4, 8	705,354	544,825
Income tax expenses	9	(180,170)	(149,363)
Profit for the period		525,184	395,462
Attributable to:			
Shareholders of the Company		521,656	393,054
Non-controlling interests		3,528	2,408
		525,184	395,462
Earnings per share attributable to shareholders of the Company		HK Cents	HK Cents
Basic and diluted	11	15.87	11.96

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Profit for the period	525,184	395,462
Other comprehensive income		
<i>Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of subsidiaries of the Company	(151,422)	32,598
Other comprehensive (loss)/income for the period, net of income tax	(151,422)	32,598
Total comprehensive income for the period	373,762	428,060
Attributable to:		
Shareholders of the Company	372,742	425,090
Non-controlling interests	1,020	2,970
	373,762	428,060

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	12	109,722	111,409
Investment properties	12	198,766	167,069
Right-of-use assets	12	81,892	80,840
Intangible assets	12	83,586	59,444
Investment in a joint venture		7,524	5,399
Investment in an associate		226	144
Due from a related company	15	88,162	92,397
Prepayments		16,904	26,260
Deferred tax assets		46,814	43,450
Total non-current assets		633,596	586,412
Current assets			
Inventories	13	984,462	935,295
Trade and retention receivables	14	2,453,908	1,387,463
Prepayments, deposits and other receivables		652,006	595,347
Due from the immediate holding company	15	368	408
Due from fellow subsidiaries	15	570,495	416,518
Due from other related companies	15	155,939	114,919
Cash and bank balances		3,557,616	4,283,374
Total current assets		8,374,794	7,733,324
Current liabilities			
Trade payables	16	1,046,490	776,486
Other payables and accruals		1,129,667	1,103,163
Temporary receipts from properties managed		1,281,736	1,543,226
Receipts in advance and other deposits		1,505,134	1,500,803
Lease liabilities		46,005	41,245
Due to the immediate holding company	17	—	1,084
Due to fellow subsidiaries	17	9,943	11,319
Due to other related companies	17	10,008	12,534
Income tax payables		208,925	226,612
Bank borrowings	18	416,663	—
Total current liabilities		5,654,571	5,216,472
Net current assets		2,720,223	2,516,852
Total assets less current liabilities		3,353,819	3,103,264

Condensed Consolidated Statement of Financial Position *(continued)*

Notes	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Non-current liabilities		
	71,113	32,839
Lease liabilities		
Deferred tax liabilities	17,349	17,925
Bank borrowings	33,137	—
18		
Total non-current liabilities	121,599	50,764
Net assets	3,232,220	3,052,500
Equity		
Equity attributable to shareholders of the Company		
Issued capital	3,287	3,287
Reserves	3,175,451	2,996,751
19		
Non-controlling interests	3,178,738	3,000,038
	53,482	52,462
Total equity	3,232,220	3,052,500

Condensed Consolidated Statement of Changes in Equity

	Attributable to shareholders of the Company									
	Issued capital	Special reserve	Capital reserve	Property	Exchange	PRC	Retained profits	Total	Non-controlling interests	Total equity
				revaluation reserve	fluctuation reserve	statutory reserve				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021 (Audited)	3,287	(136,448)	9,665	47,933	32,849	141,693	2,049,852	2,148,831	35,475	2,184,306
Profit for the period	—	—	—	—	—	—	393,054	393,054	2,408	395,462
Other comprehensive income for the period:										
Exchange differences on translation of subsidiaries of the Company	—	—	—	—	32,036	—	—	32,036	562	32,598
Total comprehensive income for the period	—	—	—	—	32,036	—	393,054	425,090	2,970	428,060
Share-based payments borne by an intermediate holding company (Note 8)	—	—	3,963	—	—	—	—	3,963	—	3,963
Transfer to PRC statutory reserve	—	—	—	—	—	461	(461)	—	—	—
Capital contribution from non-controlling equity holders of subsidiaries	—	—	—	—	—	—	—	—	480	480
2020 final dividend (Note 10)	—	—	—	—	—	—	(138,048)	(138,048)	—	(138,048)
At 30 June 2021 (Unaudited)	3,287	(136,448)	13,628	47,933	64,885	142,154	2,304,397	2,439,836	38,925	2,478,761
At 1 January 2022 (Unaudited)	3,287	(136,448)	17,713	47,933	128,790	269,529	2,669,234	3,000,038	52,462	3,052,500
Profit for the period	—	—	—	—	—	—	521,656	521,656	3,528	525,184
Other comprehensive loss for the period:										
Exchange differences on translation of subsidiaries of the Company	—	—	—	—	(148,914)	—	—	(148,914)	(2,508)	(151,422)
Total comprehensive (loss)/income for the period	—	—	—	—	(148,914)	—	521,656	372,742	1,020	373,762
Share-based payments borne by an intermediate holding company (Note 8)	—	—	3,170	—	—	—	—	3,170	—	3,170
Transfer to PRC statutory reserve	—	—	—	—	—	26,079	(26,079)	—	—	—
2021 final dividend (Note 10)	—	—	—	—	—	—	(197,212)	(197,212)	—	(197,212)
At 30 June 2022 (Unaudited)	3,287	(136,448)	20,883	47,933	(20,124)	295,608	2,967,599	3,178,738	53,482	3,232,220

Condensed Consolidated Statement of Cash Flows

	Note	Six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Net cash flows used in operating activities		(974,860)	(466,871)
Cash flows from/(used in) investing activities			
Interest received		17,985	15,581
Purchase of items of property, plant and equipment	12	(18,971)	(22,648)
Purchase of intangible assets	12	(16,472)	(14,927)
Advance payments for the purchase of intangible assets	12	—	(46)
Placement of non-pledged time deposits with original maturity of over three months		(121,065)	(1,260,505)
Withdrawal of non-pledged time deposits with original maturity of over three months		290,557	180,072
Acquisition of a subsidiary		—	(350)
Proceeds from disposals of items of property, plant and equipment		90	771
Net cash flows from/(used in) investing activities		152,124	(1,102,052)
Cash flows from/(used in) financing activities			
Interest portion of lease payments		(2,042)	(1,435)
Principal portion of lease payments		(15,732)	(12,542)
Interest paid for bank borrowings		(1,871)	—
Drawdown of bank borrowings		552,639	—
Repayment of bank borrowings		(100,726)	—
Capital contribution from non-controlling equity holders of subsidiaries		—	480
Net cash flows from/(used in) financing activities		432,268	(13,497)
Net decrease in cash and cash equivalents		(390,468)	(1,582,420)
Cash and cash equivalents at beginning of period		3,298,152	2,935,561
Effect of foreign exchange rate changes, net		(125,626)	40,090
Cash and cash equivalents at end of period		2,782,058	1,393,231

Condensed Consolidated Statement of Cash Flows *(continued)*

	30 June 2022 (Unaudited) HK\$'000	30 June 2021 (Unaudited) HK\$'000
Analysis of balances of cash and cash equivalents		
Cash and bank balances as stated in the condensed consolidated statement of financial position	3,557,616	3,258,454
Less: Non-pledged bank deposits with original maturity of over three months	(775,558)	(1,865,223)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	2,782,058	1,393,231

Notes to the Condensed Financial Statements

1. GENERAL INFORMATION

China Overseas Property Holdings Limited (the “Company”) is an exempted company with limited liability incorporated in the Cayman Islands and shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Suite 703, 7/F., Three Pacific Place, 1 Queen’s Road East, Hong Kong.

The immediate holding company of the Company is China Overseas Holdings Limited (“COHL”), a company incorporated in Hong Kong and its ultimate holding company is China State Construction Engineering Corporation (中國建築集團有限公司) (“CSCEC”), which is a state-owned enterprise established in the People’s Republic of China (the “PRC”) and is under the control of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

During the six months ended 30 June 2022, the Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the provision of property management services and value-added services to non-residents and residents; and the trading of car parking spaces.

Notes to the Condensed Financial Statements *(continued)*

1. GENERAL INFORMATION *(continued)*

The unaudited condensed consolidated financial statements for the six months ended 30 June 2022 (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 2021.

The Interim Financial Statements are presented in Hong Kong Dollars (“HK\$”) and all values are rounded to the nearest thousand, 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 31 August 2022.

Notes to the Condensed Financial Statements (*continued*)

2. PRINCIPAL ACCOUNTING POLICIES

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

Save as described in note 3 “Changes in Accounting Policies and Disclosures”, the accounting policies used in preparing the Interim Financial Statements are consistent with those of the annual consolidated financial statements for the year ended 31 December 2021.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new or revised Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereafter collectively referred to as the “new or revised HKFRSs”) issued by the HKICPA for the first time for the current period’s financial statements:

Amendments to HKFRS 3
Amendment to HKAS 16

Amendments to HKAS 37

*Annual Improvements to
HKFRSs 2018–2020*

*Reference to the Conceptual Framework
Property, Plant and Equipment: Proceeds
before Intended Use*

*Onerous Contracts — Cost of Fulfilling a
Contract*

Amendments to HKFRS 1, HKFRS 9,
Illustrative Examples accompanying
HKFRS 16, and HKAS 41

Notes to the Condensed Financial Statements *(continued)*

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

The adoption of the above new or revised HKFRSs in the current period did not have any significant impact on the financial position and performance of the Group.

The Group has not applied the following new or revised HKFRSs, that are relevant to the Group and have been issued but are not yet effective, in these financial statements:

Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture²</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)¹</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates¹</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction¹</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies¹</i>

¹ Effective for annual periods beginning on or after 1 January 2023

² No mandatory effective date yet determined but available for adoption

The Group has already commenced a preliminary assessment of the relevant 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 disclosures 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.

Notes to the Condensed Financial Statements *(continued)*

4. OPERATING SEGMENT INFORMATION

For management purpose, the Group is organised into business segments based on their products and services and has three reportable operating segments as follows:

- (a) the property management services segment engages in the provision of property management services such as security, repairs and maintenance, cleaning and garden landscape maintenance for residential communities (including mixed-use properties), commercial properties, government properties and construction sites.
- (b) the value-added services segment included:
 - (i) the value-added services to non-residents sub-segment engages in the provision of engineering, vetting of building plans, facilities and equipment evaluation proposals, pre-delivery (such as security, cleaning and repair and maintenance services for display units in pre-sale offices for developing properties), move-in assistance, delivery inspection, engineering service quality monitoring and consulting services, etc. to non-residents (such as property developers and other property management companies).
 - (ii) the value-added services to residents sub-segment engages in the provision of community asset management services (such as rental assistance, agency and custody for real estate transactions, common area rental assistance and rental of self-owned properties), living service operations (to meet the various needs of residents of the properties) and commercial service operations (to meet the needs of business users).
- (c) the car parking spaces trading business segment engages in the trading of various types of car parking spaces.

Notes to the Condensed Financial Statements *(continued)*

4. OPERATING SEGMENT INFORMATION *(continued)*

Basis of segment information

The chief operating decision maker of the Group (“CODM”, identified as the executive directors of the Company and certain senior management) monitors the results of the Group’s operating segments separately for the purpose of making decisions about measurements including resource allocation and performance assessment. Segment performance is evaluated based on various considerations, including but not limited to reportable segment profit, which is measured consistently with the Group’s profit before tax except that corporate expenses including professional fees, staff costs and other corporate expenses are excluded from such measurement.

Inter-segment revenue and transfers are transacted with reference to the charging prices used for revenue from third parties at the then prevailing market prices.

Notes to the Condensed Financial Statements *(continued)*

4. OPERATING SEGMENT INFORMATION *(continued)*

Segment revenue and results

Six months ended 30 June 2022 (Unaudited)

	Property management services HK\$'000	Value-added services		Sub-total HK\$'000	Car parking spaces trading business HK\$'000	Total HK\$'000
		Non-residents HK\$'000	Residents HK\$'000			
Reportable segment revenue						
Revenue from external customers (note 5)	4,387,385	865,562	453,307	1,318,869	107,621	5,813,875
Inter-segment revenue	40,483	132,941	63,713	196,654	–	237,137
	4,427,868	998,503	517,020	1,515,523	107,621	6,051,012
<i>Reconciliation:</i>						
Elimination of inter-segment revenue						(237,137)
Reported total revenue						5,813,875
Reportable segment results	487,396	88,927	132,576	221,503	29,086	737,985
<i>Reconciliation:</i>						
Corporate expenses, net						(32,631)
Profit before tax						705,354

Notes to the Condensed Financial Statements *(continued)*

4. OPERATING SEGMENT INFORMATION *(continued)*

Segment revenue and results *(continued)*

Six months ended 30 June 2021 (Unaudited)

	Property management services HK\$'000	Value-added services		Sub-total HK\$'000	Car parking spaces trading business HK\$'000	Total HK\$'000
		<i>Non- residents HK\$'000</i>	<i>Residents HK\$'000</i>			
Reportable segment revenue						
Revenue from external customers (note 5)	3,043,782	797,316	385,126	1,182,442	69,409	4,295,633
Inter-segment revenue	27,966	80,061	28,648	108,709	—	136,675
	3,071,748	877,377	413,774	1,291,151	69,409	4,432,308
<i>Reconciliation:</i>						
Elimination of inter- segment revenue						(136,675)
Reported total revenue						4,295,633
Reportable segment results	375,154	80,145	109,079	189,224	19,428	583,806
<i>Reconciliation:</i>						
Corporate expenses, net						(38,981)
Profit before tax						544,825

Notes to the Condensed Financial Statements *(continued)*

5. REVENUE

Disaggregated revenue information

Type of goods or services

Revenue from contracts with customers disaggregated by type of goods or services (i.e. provision of property management services, provision of value-added services to non-residents and residents and trading of car parking spaces) are recognised in the respective reportable operating segments (i.e. property management services, value-added services to non-residents and residents and car parking spaces trading business), and the details of the revenue from these reportable operating segments are set out in note 4 “Operating segment information”.

Timing of revenue recognition

Six months ended 30 June 2022 (Unaudited)

Segments	Property management services HK\$'000	Value-added services		Sub-total HK\$'000	Car parking space trading business HK\$'000	Total HK\$'000
		Non-residents HK\$'000	Residents HK\$'000			
At point in time	—	—	284,101	284,101	102,326	386,427
Over time	4,387,385	865,562	162,815	1,028,377	—	5,415,762
Total revenue from contracts with customers	4,387,385	865,562	446,916	1,312,478	102,326	5,802,189
Revenue from another source — rental income	—	—	6,391	6,391	5,295	11,686
Total revenue from external customers	4,387,385	865,562	453,307	1,318,869	107,621	5,813,875

Notes to the Condensed Financial Statements *(continued)*

5. REVENUE *(continued)*

Disaggregated revenue information *(continued)*

Timing of revenue recognition (continued)

Six months ended 30 June 2021 (Unaudited)

Segments	Property management services HK\$'000	Value-added services		Sub-total HK\$'000	Car parking space trading business HK\$'000	Total HK\$'000
		<i>Non- residents</i> HK\$'000	<i>Residents</i> HK\$'000			
At point in time	—	—	226,997	226,997	68,060	295,057
Over time	3,043,782	797,316	156,029	953,345	—	3,997,127
Total revenue from contracts with customers	3,043,782	797,316	383,026	1,180,342	68,060	4,292,184
Revenue from another source — rental income	—	—	2,100	2,100	1,349	3,449
Total revenue from external customers	3,043,782	797,316	385,126	1,182,442	69,409	4,295,633

Geographical market

All revenue were generated in the PRC (including Mainland China, Hong Kong and Macau).

Notes to the Condensed Financial Statements *(continued)*

6. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Unconditional government grants:		
— Government subsidies relating to covid-19 pandemic	1,338	401
— Government subsidies from value-added and other taxes beneficial policies	19,127	17,309
— Other government grants	10,693	8,274
	31,158	25,984
Interest income	35,002	33,305
Net exchange gain and others	16,014	586
	82,174	59,875

Notes to the Condensed Financial Statements *(continued)*

7. FINANCE COSTS

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Interest expense on lease liabilities	2,043	1,435
Interest expense on bank borrowings	1,871	—
	3,914	1,435

8. PROFIT BEFORE TAX

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Profit before tax is arrived at after charging: Employee benefit expenses including directors' and chief executive's remuneration and share-based payment (note)	3,053,515	2,270,557
Sub-contracting costs	1,118,308	850,417

Note: During the six months ended 30 June 2022, share-based payment to certain directors, senior management and other employees amounting to HK\$3,170,000 (2021: HK\$3,963,000) were recognised in profit or loss, with a corresponding credit to equity.

Notes to the Condensed Financial Statements *(continued)*

9. INCOME TAX EXPENSES

An analysis of the Group's income tax expenses is as follows:

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Current:		
Hong Kong	7,870	1,542
Macau	82	100
Mainland China	166,911	131,808
The PRC withholding income tax	10,354	17,227
Deferred	185,217 (5,047)	150,677 (1,314)
Total	180,170	149,363

Notes to the Condensed Financial Statements *(continued)*

9. INCOME TAX EXPENSES *(continued)*

Notes:

- (a) A summary of applicable income tax rates of the jurisdictions in which the Group operates during the period is as follows:

	Six months ended 30 June	
	2022 (Unaudited) %	2021 (Unaudited) %
Hong Kong	16.5	16.5
Macau	12	12
Mainland China*	25	25

- * In accordance with the relevant tax laws and regulations of the PRC, certain subsidiaries of the Group established in Mainland China are subject to preferential enterprise income tax rates.

- (b) The PRC withholding tax is imposed on dividends distributed or expected to be distributed from a PRC subsidiary to the Company at the prevailing tax rate of 5% (2021: 5%).

Notes to the Condensed Financial Statements *(continued)*

10. DIVIDENDS

A dividend of HK\$197,212,000 that relates to the year ended 31 December 2021 was paid in July 2022 (2021: HK\$138,048,000).

On 31 August 2022, the board of directors has resolved to declare an interim dividend of HK4.0 cents per share (2021: HK3.0 cents), which is payable to shareholders whose names appear on the Company's register of members on 30 September 2022. This interim dividend, amounting to HK\$131,474,000 (2021: HK\$98,606,000), has not been recognised as a liability in the Interim Financial Statements. It will be recognised in equity in the year ending 31 December 2022.

11. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit for the period attributable to shareholders of the Company of HK\$521,656,000 (2021: HK\$393,054,000), and the weighted average number of ordinary shares of 3,286,860,460 (2021: 3,286,860,460) in issue during the period.

No adjustment has been made to the basic earnings per share amount presented for each of the six months ended 30 June 2022 and 2021 for a dilution as the Group had no dilutive potential ordinary shares in issue during these periods.

Notes to the Condensed Financial Statements *(continued)*

12. INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND RIGHT-OF-USE ASSETS

During the six months ended 30 June 2022, the capital expenditures of the Group was HK\$101,731,000 (2021: HK\$76,555,000), which represented additions to investment properties, property, plant and equipment, intangible assets and right-of-use assets of approximately HK\$38,648,000, HK\$18,971,000, HK\$16,472,000 and HK\$27,640,000 respectively (2021: HK\$ Nil, HK\$22,648,000, HK\$14,973,000 and HK\$38,934,000 respectively). Among these additions, HK\$38,648,000 of investment property and HK\$13,176,000 of right-of-use assets were transacted with a subsidiary of ultimate holding company and from the immediate holding company respectively.

13. INVENTORIES

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Car parking spaces, at cost	984,462	934,282
Consumables, at cost	—	1,013
	984,462	935,295

The car parking spaces are all located in Mainland China and are held for trading.

During the six months ended 30 June 2022, the Group purchased right-of-use on car parking spaces from fellow subsidiaries and related companies, exclusive of value-added tax, amounting to HK\$92,033,000 and HK\$61,922,000 respectively (2021: HK\$59,378,000 and HK\$44,164,000 respectively).

Notes to the Condensed Financial Statements *(continued)*

14. TRADE AND RETENTION RECEIVABLES

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Trade receivables	2,587,634	1,506,562
Retention receivables	18,307	18,329
Trade and retention receivables	2,605,941	1,524,891
Less: Impairment	(152,033)	(137,428)
	2,453,908	1,387,463

Note:

Trade receivables are non-interest bearing and arise from the provision of property management services from properties managed under lump sum basis, value-added services and car parking space trading business. Property management services income from properties managed under lump sum basis are received in accordance with the terms of the relevant property management services agreements and they are due for payment by the residents upon the issuance of demand note by the Group. Service income for the provision of repair and maintenance, automation and other equipment upgrade services are 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 notes. Car parking space trading income is received in accordance with the terms of the sales and purchase agreement.

The Group's credit terms of its trade receivables are negotiated with and entered into under normal commercial terms with tenants of the properties managed under lump sum basis and customers of value-added services and car parking space trading business. The Group does not hold any collateral or other credit enhancements over these balances.

Notes to the Condensed Financial Statements *(continued)*

14. TRADE AND RETENTION RECEIVABLES *(continued)*

Note: *(continued)*

An ageing analysis of the gross trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Within 1 month	767,559	452,399
1 to 3 months	821,086	350,666
3 to 12 months	632,675	419,642
1 to 2 years	176,116	113,209
Over 2 years	190,198	170,646
	2,587,634	1,506,562

Notes to the Condensed Financial Statements *(continued)*

15. BALANCES DUE FROM RELATED PARTIES

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Balance due from the immediate holding company		
Trade nature	368	408
Balances due from fellow subsidiaries		
Trade nature	446,638	338,744
Prepayment	123,857	77,774
	570,495	416,518
Balances due from other related companies (including joint ventures and associates of fellow subsidiaries)		
Trade nature	137,959	81,140
Non-trade nature	88,162	92,397
Prepayment	17,980	33,779
	244,101	207,316
Total balances due from related parties	814,964	624,242

Notes to the Condensed Financial Statements *(continued)*

15. BALANCES DUE FROM RELATED PARTIES

(continued)

An ageing analysis of the trade nature balances due from related parties as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Balance due from the immediate holding company		
Within 1 month	146	29
1 to 3 months	196	71
Over 3 months	26	308
	368	408
Balances due from fellow subsidiaries		
Within 1 month	157,708	118,773
1 to 3 months	99,767	64,064
3 to 12 months	109,172	116,881
1 to 2 years	63,668	22,487
Over 2 years	16,323	16,539
	446,638	338,744
Balances due from other related companies		
Within 1 month	67,975	30,537
1 to 3 months	20,473	15,500
3 to 12 months	42,376	27,821
1 to 2 years	6,013	4,518
Over 2 years	1,122	2,764
	137,959	81,140

Notes to the Condensed Financial Statements *(continued)*

16. TRADE PAYABLES

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

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Within 1 month	355,434	222,592
1 to 3 months	143,891	156,623
3 to 12 months	316,415	184,859
1 to 2 years	164,973	130,616
Over 2 years	65,777	81,796
	1,046,490	776,486

Notes to the Condensed Financial Statements *(continued)*

17. BALANCES DUE TO RELATED PARTIES

The following is a breakdown and ageing analysis of trade nature balances due to related parties, based on the invoice date, at the end of the reporting period:

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Balances due to the immediate holding company – trade nature		
Within 1 month	–	1,084
	–	1,084
Balances due to fellow subsidiaries – trade nature		
Within 1 month	150	1,003
1 to 3 months	217	897
3 to 12 months	3,288	754
1 to 2 years	1,670	1,877
Over 2 years	715	550
	6,040	5,081
Receipts in advance	3,903	6,238
	9,943	11,319
Balances due to other related companies (including joint ventures and associates of fellow subsidiaries) – trade nature		
Within 1 month	1,437	715
1 to 3 months	914	874
3 to 12 months	1,721	152
1 to 2 years	27	2
Over 2 years	223	232
	4,322	1,975
Receipts in advance	5,686	10,559
	10,008	12,534
Total balances due to related parties	19,951	24,937

Notes to the Condensed Financial Statements *(continued)*

18. BANK BORROWINGS

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Bank borrowings – unsecured	449,800	—
The bank borrowings are repayable as follows :		
Within 1 year	416,663	—
Between 1 and 2 years	1,410	—
Between 2 and 5 years	31,727	—
	449,800	—
Less: Amounts classified as current liabilities	(416,663)	—
Amounts classified as non-current liabilities	33,137	—

As at 30 June 2022, the Group had bank borrowings denominated in Hong Kong dollars of approximately HK\$380,000,000, which bore interest at the Hong Kong Interbank Offered Rates plus a specified margin. In addition, the Group also had bank borrowings denominated in Renminbi of approximately HK\$69,800,000, which bore interest at the Loan Prime Rate plus/minus a specified rate. The weighted average effective interest rate was 1.64% per annum during the six months ended 30 June 2022.

Notes to the Condensed Financial Statements *(continued)*

19. SHARE CAPITAL

Issued and fully paid:

	Number of shares	Issued capital HK\$'000
As at 1 January 2021 and 31 December 2021 (Audited), 1 January 2022 and 30 June 2022 (Unaudited)	3,286,860,460	3,287

20. CAPITAL COMMITMENTS

The Group had the following capital commitments as at the end of the reporting period:

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Contracted, but not provided for:		
Capital investment into a joint venture	2,996	3,140
Acquisition of items of intangible assets	1,892	7,940
	4,888	11,080

Notes to the Condensed Financial Statements *(continued)*

21. CONTINGENT LIABILITIES

As at 30 June 2022, the Group provided counter indemnities to a fellow subsidiary and banks amounting to approximately HK\$101,325,000 (as at 31 December 2021: HK\$101,325,000) and HK\$177,286,000 (as at 31 December 2021: HK\$147,456,000), respectively for performance guarantees issued by the fellow subsidiary and the banks in respect of certain property management service contracts undertaken by the Group.

In additions, we had provided corporate guarantees to two fellow subsidiaries and a related company for participating in competitive tenders on projects of approximately HK\$70,505,000 and HK\$23,502,000 respectively.

22. RELATED PARTY DISCLOSURES

The table set forth below summarises the name of the major related parties which are entities as defined in HKAS 24 (Revised) "Related Party Disclosures" and the nature of their relationship with the Group as at 30 June 2022:

Related Parties	Relationship with the Group
CSCEC	Ultimate holding company
China State Construction Engineering Corporation Limited ("CSCECL")	Intermediate holding company
COHL	Immediate holding company
China Overseas Land & Investments Limited ("COLI") and its subsidiaries	Fellow subsidiaries
China State Construction International Holdings Limited ("CSC") and its subsidiaries	Fellow subsidiaries
China Overseas Grand Oceans Group Limited, and joint ventures and associates of other related parties	Related companies

Notes to the Condensed Financial Statements *(continued)*

22. RELATED PARTY DISCLOSURES *(continued)*

In addition to the transactions detailed elsewhere in these condensed financial statements, the Group had the following material transactions with related parties during the period:

	Notes	Six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
CSCEC and its subsidiaries (exclusive of COHL and its subsidiaries)			
Property management income and value-added services income	(i)	59,850	43,590
COHL and its subsidiaries (exclusive of COLI, CSC and their subsidiaries)			
Property management income and value-added services income	(i)	5,888	1,407
Rental expenses paid	(ii)	1,353	1,847
Other fellow subsidiaries			
Property management income and value-added services income	(i)	516,433	531,619
Rental and utility expenses paid	(ii)	53,085	44,333
Prepayment for purchases of inventories	(iii)	11,056	154,681
Material procurement and supply chain management services committed	(iv)	37,637	—
Other related companies			
Property management income and value-added services income	(i)	146,206	122,158
Prepayment for purchases of inventories	(iii)	18,215	81,362
Key management (including directors)			
Remuneration		9,316	12,047

Notes to the Condensed Financial Statements *(continued)*

22. RELATED PARTY DISCLOSURES *(continued)*

Notes:

- (i) The property management income and value-added services income were based on the rates in accordance with the respective contracts.
- (ii) The rental and utility paid expenses were charged in accordance with the respective tenancy agreements and property management agreements.
- (iii) Prepayment for purchases of inventories are made in accordance with respective contracts.
- (iv) The material procurement and supply chain management services were charged in accordance with the respective material procurement and supply chain management services agreements.

23. FAIR VALUE MEASUREMENT

(a) Financial instruments

As at 30 June 2022 and 31 December 2021, the Group did not have any financial instruments measured at fair value, accordingly, no analysis on fair value hierarchy is presented.

Financial instruments not measured at fair value include trade and retention receivables, deposits under current assets and current liabilities, other receivables, amount due from/(to) the immediate holding company, fellow subsidiaries and other related companies, trade payables, other payables and accruals, temporary receipts from properties managed, lease liabilities, bank borrowings and cash and bank balances.

Due to their mainly short-term maturities in nature, the carrying values of the above financial instruments approximate to their fair values.

Notes to the Condensed Financial Statements *(continued)*

23. FAIR VALUE MEASUREMENT *(continued)*

(b) Non-financial assets

The fair value of the investment properties as at 30 June 2022 is a level 3 recurring fair value measurement and determined using the same approach as the last year ended. During the six months ended 30 June 2022, there were no transfers among level 1, level 2 and level 3.

24. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current period's presentation and disclosures.

Corporate Governance and Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board and the management of the Company are committed to the principles of good corporate governance consistent with prudent management and enhancement of shareholder value. These principles emphasise transparency, accountability and independence.

During the six months ended 30 June 2022, the Company has adopted and complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

REVIEW OF INTERIM REPORT BY AUDIT COMMITTEE

The audit committee of the Company has reviewed with the management of the Company the accounting policies and practices adopted by the Group and discussed, among other things, internal control, risk management and financial reporting matters including a review of the interim report of the Group for the six months ended 30 June 2022.

CHANGES OF DIRECTORS’ INFORMATION

Pursuant to rule 13.51B(1) of the Listing Rules, the changes to information required to be disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) between the date of the Company’s 2021 annual report (i.e. 24 March 2022) and up to the date of this interim report (i.e. 31 August 2022) are set out below:

Director	Detail of Change
Yung, Wing Ki Samuel	Resigned as a member cum chairperson of Finance Committee of the Board of Management of the Chinese Permanent Cemeteries with effect from 1 April 2022.
So, Gregory Kam Leung	Resigned as (1) an independent non-executive director, a member of audit committee and the chairman of risk committee of Blue Insurance Limited; and (2) an advisor of Superland Group Holdings Limited (Stock Code: 368) with effect from 31 March 2022.

Corporate Governance and Other Information *(continued)*

SHARE CAPITAL

The Company's total number of shares in issue as at 30 June 2022 was 3,286,860,460 ordinary shares.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to Listing Rules as its own code for dealing in securities of the Company by the Directors. After specific enquiry, all Directors confirmed that they have complied with the required standard regarding securities transactions set out therein throughout the six months ended 30 June 2022. Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2022, the interests and short positions of the Directors and chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

Corporate Governance and Other Information *(continued)*

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS *(continued)*

Long Positions in Shares and Underlying Shares of the Associated Corporations

Name of Director	Name of Associated Corporation	Nature of Interest	Number of Ordinary Shares/ Underlying Shares Held	Approximate Percentage of Shares in Issue
Zhang Guiqing	China State Construction Engineering Corporation Limited ("CSCECL")	Beneficial owner	570,000	0.001% ¹
	China Overseas Land & Investments Limited ("COLI")	Beneficial owner	20,000	0.0002% ²
Yang Ou	CSCECL	Beneficial owner	480,000	0.001% ¹
	COLI	Beneficial owner	40,000	0.0004% ²
	China State Construction Development Holdings Limited ("CSCDHL")	Beneficial owner	58,000	0.003% ³
Pang Jinying	CSCECL	Beneficial owner	408,000	0.001% ¹
Ma Fujun	CSCECL	Beneficial owner	830,000	0.002% ¹
Guo Lei	COLI	Beneficial owner	1,433,000 ⁴	0.013% ²

Corporate Governance and Other Information *(continued)*

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS *(continued)*

Long Positions in Shares and Underlying Shares of the Associated Corporations *(continued)*

Notes:

1. The percentage represents the number of A shares interested divided by the number of total issued A shares of CSCECL as at 30 June 2022 (i.e. 41,940,858,844 shares).
2. The percentage represents the number of shares/underlying shares interested divided by the number of total issued shares of COLI as at 30 June 2022 (i.e. 10,944,883,535 shares).
3. The percentage represents the number of shares interested divided by the number of total issued shares of CSCDHL as at 30 June 2022 (i.e. 2,255,545,000 shares).
4. Mr. Guo Lei ("Mr. Guo") has personal interests in 1,433,000 share options granted by COLI under its shares option scheme adopted on 29 June 2018, which entitled Mr. Guo to acquire (i) 333,000 COLI shares at an exercise price of HK\$25.85 per share within an exercise period from 29 June 2020 to 28 June 2024 (both days inclusive); and (ii) 1,100,000 COLI shares at an exercise price of HK\$18.724 per share within an exercise period from 24 November 2022 to 23 November 2026 (both days inclusive).

Save as disclosed above, as at 30 June 2022, none of the Directors and chief executive of the Company or their respective associates had held or deemed or taken to have held any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation within the meaning of Part XV of the SFO.

Corporate Governance and Other Information *(continued)*

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 30 June 2022, according to the register kept by the Company under Section 336 of the SFO and so far as was known to the Directors, persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Long Positions in Shares of the Company

Name of Shareholder	Capacity	Number of Ordinary Shares Held	Approximate Percentage of Shares in Issue
Silver Lot Development Limited ("Silver Lot")	Beneficial owner	169,712,309	5.16% ³
China Overseas Holdings Limited ("COHL")	Beneficial owner	1,841,328,751	56.02% ³
	Interest of controlled corporation	169,712,309 ¹	5.16% ³
CSCECL	Interest of controlled corporations	2,011,041,060 ²	61.18% ³
China State Construction Engineering Corporation ("CSCEC")	Interest of controlled corporations	2,011,041,060 ²	61.18% ³

Corporate Governance and Other Information *(continued)*

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY *(continued)*

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

Notes:

1. Silver Lot is a direct wholly-owned subsidiary of COHL and therefore, COHL is deemed to be interested in 169,712,309 shares of the Company in which Silver Lot is interested under the SFO.
2. COHL is a direct wholly-owned subsidiary of CSCECL, which in turn is a direct non-wholly owned subsidiary of CSCEC, and therefore, CSCECL and CSCEC are deemed to be interested in a total of 2,011,041,060 shares of the Company in which COHL is or is taken to be interested under the SFO.
3. The percentage represents the number of shares interested divided by the number of total issued shares of the Company as at 30 June 2022 (i.e. 3,286,860,460 shares).

Save as disclosed above, as at 30 June 2022, according to the register kept by the Company under Section 336 of the SFO and so far as was known to the Directors, there was no other person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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

The Company had not redeemed any of its shares during the six months ended 30 June 2022. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the six months ended 30 June 2022.

Information for Shareholders

INTERIM DIVIDEND

After taking into account the dividend policy of the Group, business results for the period and future business development plans, the Board declared the payment of an interim dividend of HK4.0 cents per share for the six months ended 30 June 2022 (for the six months ended 30 June 2021: an interim dividend of HK3.0 cents per share). The interim dividend will be paid to the shareholders of the Company on Friday, 14 October 2022 whose names appear on the Company's register of members (the "Register of Members") on Friday, 30 September 2022.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the eligible shareholders' entitlement to the interim dividend, the Register of Members will be closed as appropriate as set out below:

Ex-dividend date	Monday, 26 September 2022
Latest time to lodge transfer documents for registration with the Company's Hong Kong branch share registrar and transfer office	At 4:30 p.m. on Tuesday, 27 September 2022
Closure of Register of Members	Wednesday, 28 September 2022 to Friday, 30 September 2022 (both days inclusive)
Record date	Friday, 30 September 2022

For purpose mentioned above, all properly completed transfer form(s) accompanied by the relevant share certificate(s) must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than the aforementioned latest time.





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

香港皇后大道東1號太古廣場3座7樓703室
Suite 703, 7/F, Three Pacific Place,
1 Queen's Road East, Hong Kong

電話 Tel : 2988 0600
傳真 Fax : 2988 0606
網頁 Website : www.copl.com.hk

