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

Stock Code 股份代號：00688

2018 INTERIM REPORT 中期報告

新時代・新征程
— 實現又好又快的發展

New Era · New Journey
— Moving Forward To a Better and Faster Development

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China Overseas Land & Investment Ltd.

Property Development*

- Mainland China
- Hong Kong
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Property Investment

- Mainland China
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Planning and Construction Design

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- Hong Kong

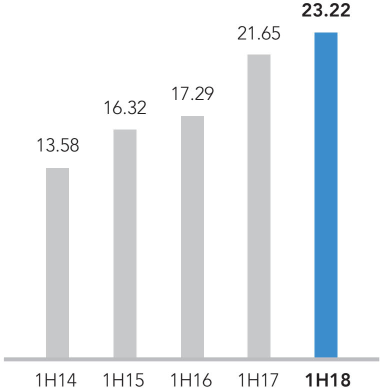
* *Property development in 62 major cities in mainland China, including Beijing, Shanghai, Guangzhou, Shenzhen, Changchun, Changsha, Chengdu, Chongqing, Dalian, Dongguan, Foshan, Fuzhou, Haikou, Hangzhou, Harbin, Jiangmen, Jinan, Kunming, Nanchang, Nanjing, Ningbo, Qingdao, Sanya, Shenyang, Suzhou, Taiyuan, Tianjin, Urumqi, Wanning, Wuhan, Wuxi, Xiamen, Xi'an, Yantai, Zhangzhou, Zhaoqing, Zhengzhou, Zhenjiang, Zhongshan, Zhuhai, Changzhou[#], Ganzhou[#], Hefei[#], Hohhot[#], Huangshan[#], Huizhou[#], Jilin[#], Jiujiang[#], Lanzhou[#], Nanning[#], Nantong[#], Shantou[#], Shaoxing[#], Weifang[#], Xining[#], Xuzhou[#], Yancheng[#], Yangzhou[#], Yinchuan[#], Zibo[#], Liuzhou[#], Baotou[#] as well as in Hong Kong and Macau.*

\# *The cities where China Overseas Grand Oceans Group Limited ("COGO") has operations.*

Financial Highlights

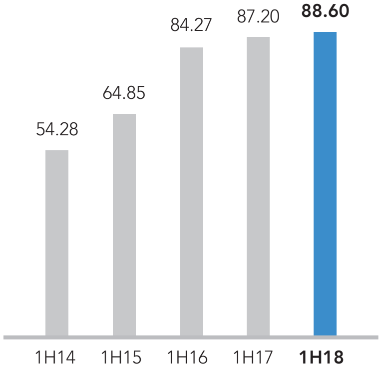
Profit Attributable to Equity Shareholders

HK$ billion



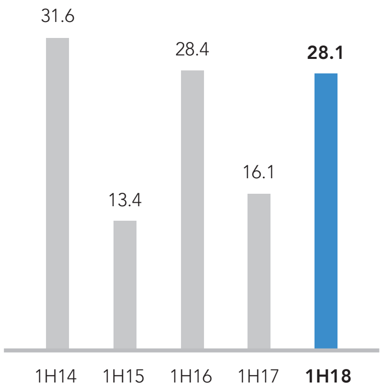
Revenue

HK$ billion



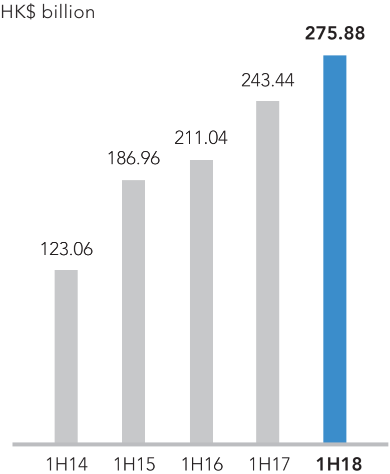
Net Gearing Ratio

%



Shareholders' Funds

HK$ billion



Board of Directors and Committees

Executive Directors

Yan Jianguo *Chairman and Chief Executive Officer*

Luo Liang

Guo Guanghui *(appointed w.e.f. 12 June 2018)*

Nip Yun Wing *(resigned w.e.f. 3 April 2018)*

Non-Executive Director

Chang Ying

Independent Non-Executive Directors

Lam Kwong Siu

Fan Hsu Lai Tai, Rita

Li Man Bun, Brian David

Authorised Representatives

Yan Jianguo

Luo Liang *(appointed w.e.f. 3 April 2018)*

Nip Yun Wing *(resigned w.e.f. 3 April 2018)*

Audit and Risk Management Committee

Li Man Bun, Brian David*

Lam Kwong Siu

Fan Hsu Lai Tai, Rita

Remuneration Committee

Lam Kwong Siu*

Fan Hsu Lai Tai, Rita

Li Man Bun, Brian David

Nomination Committee

Fan Hsu Lai Tai, Rita*

Lam Kwong Siu

Li Man Bun, Brian David

* *Committee Chairman*

Corporate Information

Registered Office

10/F., Three Pacific Place
1 Queen's Road East, Hong Kong
Telephone : (852) 2988 0666
Facsimile : (852) 2865 7517
Website : www.coli.com.hk

Company Secretary

Keith Cheung, Solicitor

Registrar and Transfer Office

Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong
Telephone : (852) 2980 1333
Facsimile : (852) 2810 8185
E-mail : is-enquiries@hk.tricorglobal.com

Investor Relations

Corporate Communications Department
Telephone : (852) 2988 0666
Facsimile : (852) 2865 7517
E-mail : coli.ir@cohl.com

Public Relations

Corporate Communications Department
Telephone : (852) 2988 0666
Facsimile : (852) 2865 7517
E-mail : coli.pr@cohl.com

Legal Advisor

Mayer Brown JSM

Independent Auditor

PricewaterhouseCoopers
Certified Public Accountants

Principal Bankers (In Alphabetical Order)

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

Listing

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

Stock Code

Shares

Stock Exchange	:	00688
Bloomberg	:	688:HK
Reuters	:	0688.HK

Notes

in USD

	Stock Exchange	Bloomberg	Reuters
Note 1:	CHINA OVS N2011 Code: 4503	EI4567265	XS0508012092
Note 2:	CHINA OVS N2211 Code: 4579	EJ4365304	XS0852986156
Note 3:	CHINA OVS N4211 Code: 4580	EJ4365403	XS0852986313
Note 4:	CHINA OVS N1810 Code: 5987	EJ9002563	XS0984184316
Note 5:	CHINA OVS N2310 Code: 5988	EJ9002621	XS0972980097
Note 6:	CHINA OVS N4310 Code: 5989	EJ9002803	XS0985567881
Note 7:	CHINA OVS N1905 Code: 5745	EK2478924	XS1063561143
Note 8:	CHINA OVS N2405 Code: 5746	EK2478981	XS1063561499
Note 9:	CHINA OVS N3406 Code: 5760	EK3172450	XS1075180379
Note 10:	CHINA OVS N2304 Code: 4475	AS2175493	XS1811821054
Note 11:	CHINA OVS N2804 Code: 4476	AS3025309	XS1811821211

in Euro

	Irish Stock Exchange	Stock Exchange	Bloomberg	Reuters
Note 12:	BYM68V0	CN OVS LD N1907 Code: 5541	AF2041693	XS1236611684

in RMB

	Shanghai Stock Exchange
Note 13:	15 中海 01 Code: 136046
Note 14:	15 中海 02 Code: 136049
Note 15:	16 中海 01 Code: 136646
Note 16:	15 中地 01 Code: 125678
Note 17:	16 中地 01 Code: 135067

	Shanghai Clearing House and China Foreign Exchange Trade System
Note 18:	18 中海地產 MTN001 Code: 101800100

Remarks:

Note 1: *US$1,000,000,000 5.50 per cent. Guaranteed Notes due November 2020 issued by China Overseas Finance (Cayman) II Limited, a wholly owned subsidiary of the Company.*

Note 2: *US$700,000,000 3.95 per cent. Guaranteed Notes due November 2022 issued by China Overseas Finance (Cayman) V Limited, a wholly owned subsidiary of the Company.*

Note 3: *US$300,000,000 5.35 per cent. Guaranteed Notes due November 2042 issued by China Overseas Finance (Cayman) V Limited, a wholly owned subsidiary of the Company.*

Note 4: *US$500,000,000 3.375 per cent. Guaranteed Notes due October 2018 issued by China Overseas Finance (Cayman) III Limited, a wholly owned subsidiary of the Company.*

Note 5: *US$500,000,000 5.375 per cent. Guaranteed Notes due October 2023 issued by China Overseas Finance (Cayman) III Limited, a wholly owned subsidiary of the Company.*

Stock Code (Continued)

Notes (Continued)

Remarks: (Continued)

Note 6: US$500,000,000 6.375 per cent. Guaranteed Notes due October 2043 issued by China Overseas Finance (Cayman) III Limited, a wholly owned subsidiary of the Company.

Note 7: US$800,000,000 4.25 per cent. Guaranteed Notes due May 2019 issued by China Overseas Finance (Cayman) VI Limited, a wholly owned subsidiary of the Company.

Note 8: US$700,000,000 5.95 per cent. Guaranteed Notes due May 2024 issued by China Overseas Finance (Cayman) VI Limited, a wholly owned subsidiary of the Company.

Note 9: US$500,000,000 6.45 per cent. Guaranteed Notes due June 2034 issued by China Overseas Finance (Cayman) VI Limited, a wholly owned subsidiary of the Company.

Note 10: US$750,000,000 4.25 per cent. Guaranteed Notes due April 2023 issued by China Overseas Finance (Cayman) VII Limited, a wholly owned subsidiary of the Company.

Note 11: US$750,000,000 4.75 per cent. Guaranteed Notes due April 2028 issued by China Overseas Finance (Cayman) VII Limited, a wholly owned subsidiary of the Company.

Note 12: EUR600,000,000 1.75 per cent. Guaranteed Notes due July 2019 issued by China Overseas Land International (Cayman) Limited, a wholly owned subsidiary of the Company.

Note 13: RMB7,000,000,000 3.40 per cent. Notes with sell back options due November 2021 issued by China Overseas Property Group Co., Ltd., a wholly owned subsidiary of the Company.*

Note 14: RMB1,000,000,000 3.85 per cent. Notes with sell back options due November 2022 issued by China Overseas Property Group Co., Ltd., a wholly owned subsidiary of the Company.*

Note 15: RMB6,000,000,000 3.10 per cent. Notes with sell back options due August 2026 issued by China Overseas Property Group Co., Ltd., a wholly owned subsidiary of the Company.*

Note 16: RMB4,000,000,000 4.80 per cent. Notes with sell back options due December 2020 issued by CITIC Real Estate Group Company Limited, a wholly owned subsidiary of the Company.*

Note 17: RMB1,000,000,000 4.40 per cent. Notes with sell back options due January 2021 issued by CITIC Real Estate Group Company Limited, a wholly owned subsidiary of the Company.*

Note 18: RMB3,000,000,000 5.60 per cent. Medium Term Notes due February 2021 issued by China Overseas Property Group Co., Ltd., a wholly owned subsidiary of the Company.*

Financial Calendar

Interim results announcement	:	23 August 2018
Ex-dividend date	:	18 September 2018
Closure of Register of Members	:	20 September 2018
Record date	:	20 September 2018
Despatch of dividend warrants	:	5 October 2018

* *For identification purpose only*

BUSINESS REVIEW AND PROSPECT

I have pleasure to report to the shareholders the 2018 interim business review and prospect of China Overseas Land & Investment Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"). The unaudited profit attributable to equity shareholders of the Company for the six month period ended 30 June 2018 increased by 7.2% to HK$23.22 billion; the net profit margin was 26.2%; the net profit, after deducting HK$4.05 billion in net gains after tax arising from changes in fair value of investment properties, amounted to HK$19.17 billion, representing an increase of 14.3% compared to the corresponding period last year; basic earnings per share was HK$2.12; shareholders' funds increased to HK$275.88 billion; net assets per share was HK$25.18; and average return on shareholders' funds was 8.6%. The Board proposed an interim dividend of HK40 cents per share.

During the period, contracted sales of the Group together with its joint ventures and associates (collectively the "**Group Series of Companies**") were HK$150.85 billion, an increase of 18.5%, which met the expectation and speeded up significantly. The Group's revenue was HK$88.60 billion, representing an increase of 1.6%; operating profit was HK$35.75 billion, representing an increase of 11.2%; and sales proceeds collection was HK$94.29 billion, representing an increase of 11.1%.

At present, despite the pressure on China's exports and economic growth stemming from the Sino-United States trade dispute, China's economic growth is showing strong resilience and fulfilling its great potential, while the fundamental trend of domestic demand remains unchanged. It is anticipated that in the second half of the year, the mainland China economy will continue to grow moderately to very quickly, as the global economy maintains its strong recovery, and Hong Kong continues to show strong growth.

BUSINESS REVIEW AND PROSPECT (Continued)

On 31 July, the Central Government proposed to "resolve the problems of the real estate market; continue to apply city-specific policies; promote balanced supply and demand; manage expectations, regulate the property market and hold down prices". The Group expects to see tighter regulation and control of the real estate market in the second half of the year, likely depressing prices and sales and potentially stimulating market volatility. At the same time, the Central Government emphasised "stabilising employment, finance, foreign trade, foreign investors, foreign investment and future tasks". The Group believes that aim of the real estate regulatory policy is to promote a long-term mechanism for housing with multiple sources of supply that delivers secure housing affordability through a variety of channels, encouraging both housing purchases and rentals. The Group has great confidence in the medium- and long-term prospects of the real estate market in China. The Group will continue to focus on cities with strong economies and continuous population influx, maintaining its positioning in major cities, mainstream areas and mainstream products, deeply developing markets in more than 60 cities in mainland China, Hong Kong and Macau; increasing the local market share; improving management efficiency; strengthening cost control; speeding up turnover, creating excellent products, excellent services to achieve excellent effectiveness, and to move forward to a better and faster development.

The scale of the projects under development of the Group Series of Companies is expected to reach a total area of over 50.00 million sq m for the whole year. The scale of the projects under development and the addition of the saleable stock of properties reached a record high, of which a majority of the addition of saleable stock of properties is scheduled to launch to market in the second half of the year, as the Group accelerates its development and sales, striving to scale rapidly.

The Group adheres to its healthy and financially prudent policy with sufficient cash, and strictly controls gearing. At 30 June 2018, the Group has bank balances and cash of HK$127.93 billion, with net gearing of 28.1%. With the Group's strengths of stable finances and adequate cash reserves, it stands ready to deal with accelerating credit tightening in the real estate industry in mainland China in the second half of the year. During the period, the Group maintained the industry-leading credit ratings, from Moody's, Standard & Poor's and Fitch at Baa1/stable, BBB+/stable and A-/stable respectively. The weighted average borrowing costs of the Group were 4.27%, among the lowest level in the industry. In the second half of the year, the Group will seize appropriate opportunities for highly efficient and low-cost financing to integrate with development funding.

BUSINESS REVIEW AND PROSPECT (Continued)

In the first half of the year, land prices in mainland China and Hong Kong ran high and abortive land auctions occurred in many cities in mainland China. The Group continues its healthy and prudent investment strategy, acquiring 26 land parcels with a total GFA of 7.89 million sq m (attributable interest of 6.64 million sq m) and total attributable land premium of HK$45.95 billion. At the end of June, the Group Series of Companies' land reserves were 87.36 million sq m. As funding availability tightens in the real estate industry in China, the Group expects better investment opportunities in the second half of the year.

The Group continues to enhance the scale and operational efficiency of its commercial properties. In the first half of the year, the Group's total revenue from commercial properties was HK$2.03 billion, representing an increase of 46.0% compared to the corresponding period last year, including rental income from investment properties of HK$1.76 billion, an increase of 52.1%; and income from hotels and other commercial properties of HK$0.27 billion, an increase of 17.4%. At the end of June, the Group Series of Companies held and operated 38 office buildings with a cumulative operating area of 2.29 million sq m, making it one of the largest single-title office developers in mainland China. The Group also operated five asset-light commercial projects with a cumulative operating area of 0.28 million sq m. During the period, the Group's co-working brand Officezip launched new products in Beijing, Shanghai, Chengdu, Jinan, Wuhan, where its average occupancy rate exceeded 90% with an effective rent premium of 160% compared to that for traditional office buildings. With Unipark shopping malls officially opened in Beijing and Chengdu, the Group had its shopping malls operating in seven cities in mainland China. During the period, Xiong An Citizens Service Centre project which the Group took a lead role to invest, construct and operate, had come into operation with an added edge of being a benchmark project for a smart green city, adding a wealth of experiences and resources to the Group's property investment and operation. In the second half of the year, a number of commercial properties will commence operation.

BUSINESS REVIEW AND PROSPECT (Continued)

In a market that is going through adjustments, the Group attaches great importance to the growth momentum brought by quality management. Since last year, the Group has implemented the development and application of more than 60 information management systems. To date, the Group has completed and applied more than 30 information systems, including city maps, omnipresence project management plans, supply-marketing-inventory systems, three-tier customer inventory, cost management, sales and commission management, and CRM. The integrated digital control platform is basically completed, and the business progress and operation level of the whole process of property development are under precise control. The Group has set up a customer research centre to establish a multi-level, multi-type product research and development system that serve five categories and ten types of customer, to meet the needs and sensitivities of different customers, to combine standard and innovative design with cost flexibility. Additionally, a new series of new residential projects that reflect confidence in contemporary Chinese culture have been well received by the market. The Group enhanced its quality control procedures, improving the implementation process in construction through new technologies and conducting mystery customer visits and customer interviews. The Group proactively seeks to understand customer needs and offer responsive solutions, and organises a series of customer care and social activities so that customer satisfaction levels continue to improve. The Group believes that the continuous promotion of quality management will not only improve the competitiveness of the Group in the market but also strengthen its business efficiency and implementation.

With the support of shareholders, the Group launched its share option scheme, granting share options comprising 107,320,000 shares to 404 middle to senior executives in the first half of the year. In next few years, the Group will launch the share option scheme in phases. The Group is listed by the Central Government as a pilot organisation for the "Professional Manager" system. Our senior executives all signed a professional manager agreement pledging their commitment to effectively enhancing the ethos of career community professionalism in middle to senior management.

BUSINESS REVIEW AND PROSPECT (Continued)

The Group actively fulfils its corporate social responsibilities, continuing to build Hope Schools. During the period, the Group signed an agreement with Songjiang County of Guizhou Province to build the China Overseas Meie Hope School. Additionally, the Group is initiating a poverty alleviation initiative in Lan County, a poor county in the Luliang region of Shanxi Province, helping farmers to raise above poverty line. The Group has a solid goal of being an outstanding global property development corporation, working together with its shareholders, partners, employees and stakeholder communities along the way.

Last but not least, I would like to take this opportunity to express my heartfelt appreciation to my fellow directors and the entire staff for their dedication, professionalism and determination to succeed and would like to express my gratitude to the shareholders and business associates for their support and trust.

By Order of the Board
China Overseas Land & Investment Limited
Yan Jianguo
Chairman and Chief Executive Officer

Hong Kong, 23 August 2018

Management Discussion & Analysis

Overall Performance

During the period, the revenue of the Group increased to HK$88.60 billion as compared to the corresponding period in last year (corresponding period in 2017: HK$87.20 billion). The operating profit was HK$35.75 billion (corresponding period in 2017: HK$32.13 billion), representing an increase of 11.2%. The gross profit margin increased by 5.3 percentage points from 30.5% in the corresponding period last year to 35.8%, and the net profit margin reached 26.2%, maintaining at industry-leading level. The ratio of selling and distribution costs and administrative expenses to revenue was 3.1%, which remained one of the lowest in the industry. Profit attributable to equity shareholders of the Company amounted to HK$23.22 billion (corresponding period in 2017: HK$21.65 billion), representing an increase of 7.2%. The average return on shareholders' funds was 8.6%. Basic earnings per share was HK$2.12 (corresponding period in 2017: HK$1.98), an increase of 7.2%.

At 30 June 2018, the equity attributable to shareholders of the Company was HK$275.88 billion (31 December 2017: HK$265.69 billion), an increase of 3.8% compared to last year end, while the net assets per share was HK$25.18 (31 December 2017: HK$24.25). At the end of June, the Group's financial position was good with ample cash resources of HK$127.93 billion and net gearing of only 28.1%.

Property Development

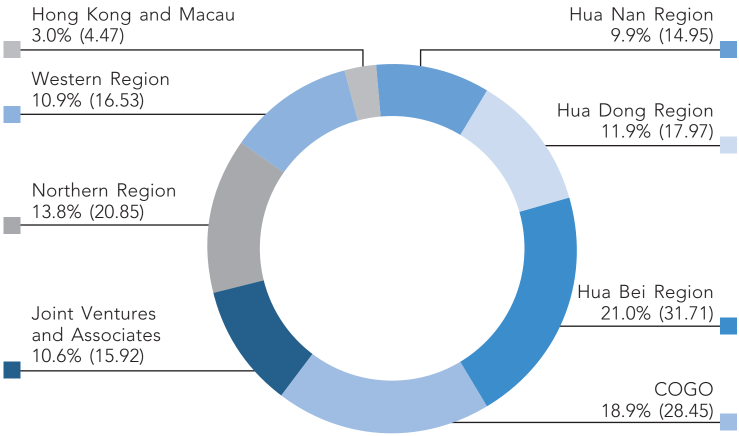
Revenue from property development was HK$86.30 billion, mainly related to property projects including The Grace and Blossom Land in Nanjing, The Paragon in Shenzhen, Glory Mansion in Harbin, Glorious City in Haikou, Paramount Jade in Jinan, La Cite in Tianjin, La Cite in Fuzhou, One Kai Tak in Hong Kong and The Carat in Macau.

Segment profit (including the Group's share of profits of associates and joint ventures) amounted to HK$30.65 billion, an increase of 19.8% compared to the corresponding period in last year, mainly due to the increase in gross profit margin.

Property Development (Continued)

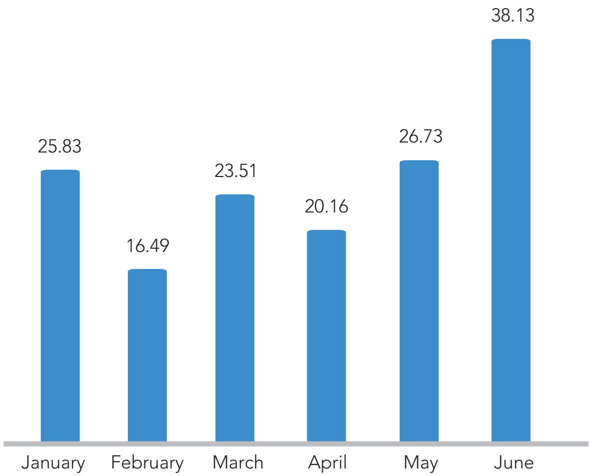
1H 2018 CONTRACTED SALES AMOUNT BY REGION#

HK$ billion



1H 2018 CONTRACTED SALES AMOUNT BY MONTH#

HK$ billion



Representing the Group Series of Companies

Property Development (Continued)

During the period, the Group Series of Companies (excluding COGO) completed 33 projects with a total area of 5.80 million sq m in 24 cities in mainland China.

The table below shows the area of projects completed by region in the first half of 2018:

City	Total Area ('000 sq m)
Hua Nan Region	
Guangzhou	890
Hainan	306
Changsha	289
Fuzhou	256
Dongguan	205
Zhuhai	6
Sub-total	1,952
Hua Dong Region	
Nanjing	455
Wuxi	197
Suzhou	146
Shanghai	100
Nanchang	79
Ningbo	29
Sub-total	1,006
Hua Bei Region	
Jinan	145
Tianjin	60
Beijing	9
Sub-total	214
Northern Region	
Harbin	569
Shenyang	307
Changchun	238
Qingdao	85
Dalian	75
Yantai	31
Sub-total	1,305
Western Region	
Chengdu	1,004
Xi'an	268
Xinjiang	48
Sub-total	1,320
Total	**5,797**

Property Development (Continued)

During the period, the Group incurred HK$45.95 billion to acquire 26 land parcels in 17 mainland China cities, adding a total area of 7.89 million sq m to its land reserve.

The table below shows the details of land parcels added in the first half of 2018:

City	Name of Development Project	Attributable Interest	Land Area ('000 sq m)	Total Area ('000 sq m)
Foshan	Shunde District Project	100%	149	386
Hangzhou	Binjiang District Project	100%	23	89
Beijing	Changping District Project	100%	175	490
Guangzhou	Nansha District Project	100%	79	233
Shenzhen	Pingshan District Project	100%	19	124
Beijing	Daxing District Project	100%	74	206
Kunming	Wuhua District Project	60%	103	515
Urumqi	Shuimogou District Project #1	100%	34	145
Urumqi	Shuimogou District Project #2	100%	35	143
Shenyang	Hunnan District Project	100%	180	450
Guangzhou	Panyu District Project	14.28%	76	366
Chongqing	Banan District Project	51%	89	299
Wuhan	Jiangan District Project	100%	22	130
Xi'an	Changan District Project	100%	131	569
Jinan	Gaoxin District Project #1	100%	200	450
Changsha	Yuhua District Project	100%	71	343
Qingdao	Gaoxin District Project	100%	86	232
Beijing	Daxing District Project	33%	31	128
Kunming	Guandu District Project	100%	117	584
Urumqi	Gaoxin District Project	100%	17	76
Chongqing	Nanchuan District Project	100%	121	292
Urumqi	Huizhan Pian District Project	100%	58	240
Fuzhou	Gaoxin District Project	100%	30	112
Changchun	Beihu District Project	100%	172	572
Tianjin	Hongqiao District project	25%	52	242
Jinan	Gaoxin District Project #2	33%	215	474
Total			**2,359**	**7,890**

At 30 June 2018, the Group Series of Companies (excluding COGO) had a total land reserve of 67.48 million sq m (attributable interest of 56.57 million sq m).

Property Development (Continued)

The major associate COGO acquired 9 parcels of land, adding a total area of 2.01 million sq m. At 30 June 2018, its total land reserve was 19.88 million sq m (attributable interest of 18.40 million sq m).

The total land reserve of the Group Series of Companies reached 87.36 million sq m.

In response to market demand, the Group invested in several new joint venture and associate projects during the period. At the end of June 2018, the net amount invested by the Group in joint ventures and associates amounted to HK$37.95 billion. The profit contribution from joint ventures and associates during the period was HK$2.09 billion. During the period, COGO – a major associate of the Group, focuses on property business in tier-three cities in mainland China, recorded contracted property sales of HK$28.45 billion, revenue of HK$11.19 billion, and a net profit of HK$1.08 billion. The Group earned a net profit of HK$390 million from COGO for the period. In early 2018, COGO raised a total of HK$4.61 billion through a rights issue, further strengthening its financial capability. The Group has subscribed for 445,265,017 COGO's shares under the rights issue at a total consideration of HK$1.82 billion. The Group's shareholding on COGO is 38.32% after the completion of the rights issue.

Property Investment

Rental income from the Group's investment properties amounted to HK$1.76 billion, an increase of 52.1% compared to the corresponding period last year. The rise in rental income was mainly due to higher market rents and occupancy rates, and also the contributions from the commencement of operation of office buildings completed in 2017. Segment profit amounted to HK$6.69 billion, which includes the gain arising from changes in fair value of investment properties amounting to HK$5.41 billion (net gain attributable to the Group after deferred tax was HK$4.05 billion). At 30 June 2018, the Group Series of Companies has more than 5.56 million sq m of commercial properties under development or to be developed, thus providing a solid foundation to the increase in stable income.

Other Operations

Revenue from other operations amounted to HK$540 million during the period, of which income from hotels and other commercial properties was HK$270 million.

Liquidity, Financial Resources and Debt Structure

The Group continues to adhere to the principle of prudent financial management. Finance, fund utilisation and fundraising activities are subject to effective centralised management and supervision. The Group considers carefully the cost of funding onshore and offshore and strives to maintain reasonable gearing level and cash balances.

The overall financial position of the Group was satisfactory. Interest cover (measured by the ratio of operating profit less interest income to the total finance costs) and the weighted average borrowing costs (total finance costs divided by the weighted average borrowings) of the Group were 8.3 times and 4.27% respectively, which believes to be at an outstanding level in the industry. In April 2018, the Group accurately grasped the critical window of the capital market and successfully issued two senior notes with a maturity period of five-year and ten-year each at a total amount of USD1.5 billion, which further enhanced the Group's funding reserve and optimised the Group's financing costs and maturity structure.

For the first half of 2018, total capital expenditure payments for the Group were HK$67.33 billion (of which HK$46.14 billion was spent on land premiums and HK$21.19 billion was spent on construction-related expenditure). About HK$25.35 billion was paid for taxes, selling and distribution costs, administrative expenses and financing expenses. During the period, the Group raised fund from debt financing amounted to HK$35.78 billion. Total repayment of matured bank and other borrowings amounted to HK$6.85 billion. Even confronted with tightened liquidity in mainland China, sales proceeds collection still improved as comparing to the corresponding period last year and increased to HK$94.29 billion. At the end of June 2018, there were unpaid land premiums of HK$10.04 billion while bank borrowings and notes payable due to mature in the second half of the year amounted to HK$5.37 billion and HK$17.02 billion respectively.

At 30 June 2018, total bank and other borrowings and notes payable of the Group amounted to HK$205.45 billion (31 December 2017: HK$178.24 billion), of which 17.1% was denominated in Hong Kong dollars, 26.3% was denominated in US dollars, 51.1% was denominated in Renminbi, 4.5% was denominated in Euros and 1.0% was denominated in Pounds Sterling. The fixed-rate debts accounted for 53.3% of overall interest-bearing debts while the remaining were floating-rate debts.

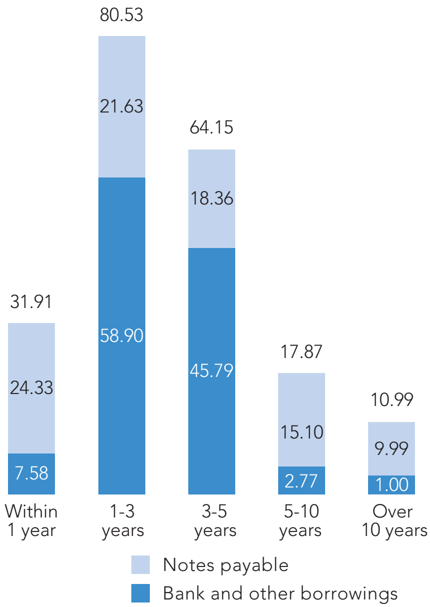
Liquidity, Financial Resources and Debt Structure (Continued)

At 30 June 2018, the Group had bank balances and cash amounting to HK$127.93 billion (of which 12.7% was denominated in Hong Kong dollars, 7.3% was denominated in US dollars, 79.2% was denominated in Renminbi, 0.8% was denominated in Pounds Sterling and minimal amounts were denominated in other currencies).

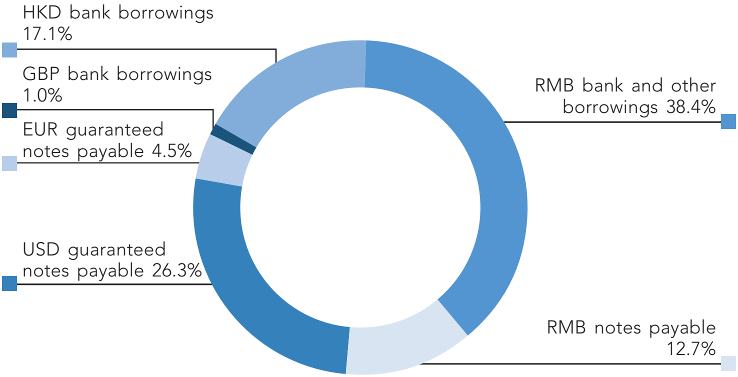
During the period, the central parity of Renminbi against US Dollars showed a trend of first appreciation, medium-term shock, and depreciation in the later period. The Group offsets foreign exchange risk through natural hedging and has not entered into any financial derivatives for either hedging or speculative purposes. Taking account of potential increases in interest rates and possible two-way fluctuations in renminbi exchange rates, the Group will prudently consider entering into currency and interest rate swap arrangements to minimise such exposures if and when appropriate. The Board considers that the Group's exposure to foreign exchange risk is relatively controllable.

DEBT MATURITY PROFILE AT 30 JUNE 2018

HK$ billion



INTEREST-BEARING DEBTS BY CURRENCY AT 30 JUNE 2018



Corporate Citizenship

"To serve the community" has always been the corporate philosophy and mission of the Group. The Group has always striven to execute its corporate social responsibilities with pragmatic, honest and positive attitude. The Group has achieved remarkable results in the area of environmental protection, educational subventions, poverty alleviation and charity.

During the period, the Group continued to expand its application of new environmentally responsible materials and technology, strengthening the proportion of prefabricated concrete in its assembly-based residential housing. It also continues to build and donate a Hope School each year. The Group has launched a poverty alleviation programme in Lan County, a poor county in Luliang region of Shanxi Province, to help farmers to overcome low sales of their high quality product, through branding and promoting the product, design packaging and putting them to online store, and purchasing these agricultural products as gifts to customers, and links them to millions of customers in order to promote their goods, helping them to open up sales networks so that they can raise above poverty and achieve prosperity.

Human Resources

The Group always regards talent strategy as one of the most important strategies and human resources as its most precious resources. At the end of June, the Group had about 5,900 employees. During the period, the staff costs of the Group were HK$1.57 billion. Guided by the key annual tasks, the Group optimised the three-tier KPI structure to cover all employees during the period. The Group also launched a MAPS structure that distinguishes position, job and level to support the career path development of employees.

To meet the need for talented employees in this innovation-driven business, the Group launched a new campus recruitment brand, the "Stars of the Seas", to recruit elite candidates and college graduates who focus on sales, business, education and elderly care, and 550 fresh graduates were recruited. "Stars of the Seas", "Sons of the Sea", and "Sea's Recruits" are the Group's recruitment brand trio, as the Group continues to expand its recruitment channels, offering high-quality human resources to support its rapid business development.

The Group places a high priority on employee satisfaction. Staff enjoy competitive compensation and benefits, including the provision of a wide variety of social activities and optimised logistics support, which builds a meritocratic corporate culture. The stability of our teams drives continued improvement in satisfaction levels among our employees.

Condensed Consolidated Income Statement

The unaudited consolidated results of the Group for the six months ended 30 June 2018 and the comparative figures for the corresponding period in 2017 are as follows:

	Notes	Six months ended 30 June 2018 HK$'000 (Unaudited)	 2017 HK$'000 (Unaudited)
Revenue	5	**88,600,754**	87,199,418
Business tax		**(1,155,733)**	(1,425,103)
Net revenue	5	**87,445,021**	85,774,315
Direct operating costs, excluding business tax above		**(55,744,510)**	(59,178,892)
		31,700,511	26,595,423
Other income and gains, net		**1,399,526**	1,553,774
Gain arising from changes in fair value of investment properties		**5,408,138**	3,772,309
Gain on disposal of investment properties		**23,265**	38,634
Gain arising from fair value remeasurement of the Group's previously held equity interest in a joint venture immediately prior to acquisition	15	**–**	2,140,171
Gain on acquisition of subsidiaries	15	**–**	326,267
Selling and distribution costs		**(1,100,318)**	(1,060,692)
Administrative expenses		**(1,685,138)**	(1,234,531)
Operating profit		**35,745,984**	32,131,355
Share of profits of			
Associates		**1,465,573**	651,500
Joint ventures		**622,808**	738,484
Finance costs	6	**(690,294)**	(650,983)
Profit before tax		**37,144,071**	32,870,356
Income tax expenses	7	**(12,888,669)**	(10,383,437)
Profit for the period	8	**24,255,402**	22,486,919
Attributable to:			
Owners of the Company		**23,218,766**	21,654,474
Non-controlling interests		**1,036,636**	832,445
		24,255,402	22,486,919
		HK$	HK$
EARNINGS PER SHARE	9		
Basic and diluted		**2.12**	1.98

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Profit for the period	**24,255,402**	22,486,919
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Exchange differences on translation of the Company and its subsidiaries	**(3,230,981)**	3,648,491
Exchange differences on translation of associates and joint ventures	**(237,243)**	330,750
	(3,468,224)	3,979,241
Item that may be reclassified to profit or loss		
Exchange differences on translation of associates	**(129,108)**	436,677
Other comprehensive income for the period	**(3,597,332)**	4,415,918
Total comprehensive income for the period	**20,658,070**	26,902,837
Total comprehensive income attributable to:		
Owners of the Company	**19,814,965**	25,791,843
Non-controlling interests	**843,105**	1,110,994
	20,658,070	26,902,837

Condensed Consolidated Statement of Financial Position

	Note	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Non-current Assets			
Investment properties		**104,012,194**	97,377,389
Property, plant and equipment		**3,785,021**	3,897,596
Prepaid lease payments for land		**567,248**	575,810
Interests in associates		**11,417,300**	8,232,345
Interests in joint ventures		**14,038,407**	12,405,070
Investments in syndicated property project companies		**24,212**	24,212
Available-for-sale investments		**–**	115,842
Amounts due from associates		**8,239,780**	8,969,792
Amounts due from joint ventures		**5,455,070**	6,592,674
Other receivables		**1,589,262**	456,540
Goodwill		**64,525**	64,525
Deferred tax assets		**4,886,564**	4,902,484
		154,079,583	143,614,279
Current Assets			
Inventories		**99,896**	82,852
Stock of properties		**361,508,375**	335,541,563
Land development expenditure		**25,562,446**	24,305,938
Prepaid lease payments for land		**9,896**	16,396
Trade and other receivables	*11*	**11,603,822**	14,300,567
Contract assets		**1,386,078**	–
Deposits and prepayments		**10,278,364**	7,240,012
Deposits for land use rights for property development		**6,912,273**	2,386,145
Amounts due from fellow subsidiaries		**362,666**	356,221
Amounts due from associates		**3,451,649**	5,508,696
Amounts due from joint ventures		**5,006,322**	2,985,523
Amounts due from non-controlling shareholders		**1,070,256**	728,934
Amounts due from CITIC Group		**–**	197,949
Tax prepaid		**6,579,008**	4,089,095
Bank balances and cash		**127,931,163**	104,050,615
		561,762,214	501,790,506

	Notes	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Current Liabilities			
Trade and other payables	*12*	**47,600,537**	51,826,299
Dividend payable	*10*	**4,930,291**	–
Pre-sales deposits		**–**	77,857,359
Contract liabilities		**101,096,586**	–
Rental and other deposits		**3,674,264**	3,428,838
Amounts due to fellow subsidiaries		**936,270**	756,994
Amounts due to associates		**2,114,747**	2,028,855
Amounts due to joint ventures		**7,544,229**	5,425,631
Amounts due to non-controlling shareholders		**8,976,457**	5,053,174
Tax liabilities		**27,308,470**	29,741,619
Bank and other borrowings – due within one year		**7,584,524**	13,324,575
Notes payable – due within one year		**24,327,019**	17,099,222
		236,093,394	206,542,566
Net Current Assets		**325,668,820**	295,247,940
Total Assets Less Current Liabilities		**479,748,403**	438,862,219
Capital and Reserves			
Share capital	*13*	**90,420,438**	90,420,438
Reserves		**185,459,029**	175,273,849
Equity attributable to owners of the Company		**275,879,467**	265,694,287
Non-controlling interests		**10,767,485**	7,849,143
Total Equity		**286,646,952**	273,543,430
Non-current Liabilities			
Bank and other borrowings – due after one year		**108,458,491**	90,256,116
Notes payable – due after one year	*14*	**65,078,463**	57,558,524
Amounts due to non-controlling shareholders		**3,585,773**	3,799,801
Deferred tax liabilities		**15,978,724**	13,704,348
		193,101,451	165,318,789
		479,748,403	438,862,219

Condensed Consolidated Statement of Changes in Equity

	Unaudited								
	Attributable to owners of the Company								
	Share capital HK$'000	Translation reserve HK$'000	Merger reserve HK$'000	Other reserves HK$'000	PRC statutory reserve HK$'000 (Note)	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2017	90,420,438	(13,484,719)	(14,105,752)	327,248	7,597,154	151,494,073	222,248,442	5,174,917	227,423,359
Profit for the period	–	–	–	–	–	21,654,474	21,654,474	832,445	22,486,919
Exchange differences on translation of the Company and its subsidiaries	–	3,369,942	–	–	–	–	3,369,942	278,549	3,648,491
Exchange differences on translation of associates and joint ventures	–	767,427	–	–	–	–	767,427	–	767,427
Total comprehensive income for the period	–	4,137,369	–	–	–	21,654,474	25,791,843	1,110,994	26,902,837
2016 final dividend payable (Note 10)	–	–	–	–	–	(4,601,605)	(4,601,605)	–	(4,601,605)
Dividends to non-controlling shareholders	–	–	–	–	–	–	–	(353,750)	(353,750)
Release of exchange reserve of a joint venture upon acquisition	–	(171,955)	–	–	–	171,955	–	–	–
Capital contribution relating to share-based payments borne by an intermediate holding company	–	–	–	3,402	–	–	3,402	–	3,402
Transfer to PRC statutory reserve	–	–	–	–	1,763,147	(1,763,147)	–	–	–
At 30 June 2017	90,420,438	(9,519,305)	(14,105,752)	330,650	9,360,301	166,955,750	243,442,082	5,932,161	249,374,243

Condensed Consolidated Statement of Changes in Equity (Continued)

	Unaudited								
	Attributable to owners of the Company								
	Share capital HK$'000	Translation reserve HK$'000	Merger reserve HK$'000	Other reserves HK$'000	PRC statutory reserve HK$'000 (Note)	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 31 December 2017	90,420,438	(2,548,848)	(14,105,752)	334,154	9,763,450	181,830,845	265,694,287	7,849,143	273,543,430
Adjustments on adoption of HKFRS 15, net of tax (Note 2(a))	–	(176,433)	–	–	–	(4,526,697)	(4,703,130)	(152,814)	(4,855,944)
Restated balance at 1 January 2018	90,420,438	(2,725,281)	(14,105,752)	334,154	9,763,450	177,304,148	260,991,157	7,696,329	268,687,486
Profit for the period	–	–	–	–	–	23,218,766	23,218,766	1,036,636	24,255,402
Exchange differences on translation of the Company and its subsidiaries	–	(3,037,450)	–	–	–	–	(3,037,450)	(193,531)	(3,230,981)
Exchange differences on translation of associates and joint ventures	–	(366,351)	–	–	–	–	(366,351)	–	(366,351)
Total comprehensive income for the period	–	(3,403,801)	–	–	–	23,218,766	19,814,965	843,105	20,658,070
2017 final dividend payable (Note 10)	–	–	–	–	–	(4,930,291)	(4,930,291)	–	(4,930,291)
Dividends to non-controlling shareholders	–	–	–	–	–	–	–	(371,155)	(371,155)
Return of capital to non-controlling shareholders	–	–	–	–	–	–	–	(129,518)	(129,518)
Contributions from non-controlling shareholders	–	–	–	–	–	–	–	2,728,724	2,728,724
Capital contribution relating to share-based payments borne by an intermediate holding company	–	–	–	3,636	–	–	3,636	–	3,636
Transfer to PRC statutory reserve	–	–	–	–	255,013	(255,013)	–	–	–
At 30 June 2018	90,420,438	(6,129,082)	(14,105,752)	337,790	10,018,463	195,337,610	275,879,467	10,767,485	286,646,952

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

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Operating cash flows before movements in working capital	**29,433,188**	24,702,498
Increase in stock of properties and deposits for land use rights for property development	**(13,665,631)**	(13,163,766)
Increase in trade and other receivables, and deposits and prepayments	**(5,671,785)**	(13,643,524)
Increase in contract assets	**(911,369)**	–
Decrease in trade and other payables, contract liabilities, pre-sales deposits, and rental and other deposits	**(1,267,283)**	(4,060,003)
Other movements in working capital	**(704,804)**	(724,944)
Cash generated from/(used in) operations	**7,212,316**	(6,889,739)
Income taxes paid	**(11,323,555)**	(8,587,517)
NET CASH USED IN OPERATING ACTIVITIES	**(4,111,239)**	(15,477,256)
INVESTING ACTIVITIES		
Interest received	**745,978**	746,111
Additions of investment properties	**(537,530)**	(3,413,636)
Advances to associates	**(1,873,157)**	(1,538,005)
Repayment from associates	**4,721,800**	5,368,942
Advances to joint ventures	**(5,338,763)**	(1,620,271)
Repayment from joint ventures	**4,438,929**	836,411
Capital contributions to associates	**(1,899,493)**	(729,433)
Capital contributions to joint ventures	**(1,236,152)**	(413,321)
Acquisition of subsidiaries (Note 15)	**–**	(3,007,959)
Other investing cash flows	**242,500**	534,843
NET CASH USED IN INVESTING ACTIVITIES	**(735,888)**	(3,236,318)

Condensed Consolidated Statement of Cash Flows (Continued)

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
FINANCING ACTIVITIES		
Interest paid	**(3,667,765)**	(3,296,999)
New bank and other borrowings raised	**20,513,508**	9,484,981
Repayment of bank and other borrowings	**(6,851,300)**	(23,317,405)
Issue of notes	**15,271,429**	–
Redemption of notes	**–**	(5,815,625)
Repayment to non-controlling shareholders	**(815,817)**	(519,582)
Advances from non-controlling shareholders	**2,767,412**	77,367
Contributions from non-controlling shareholders	**2,728,724**	–
Advances from joint ventures	**2,264,619**	631,825
Other financing cash flows	**(652,177)**	(375,033)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	**31,558,633**	(23,130,471)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**26,711,506**	(41,844,045)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**99,460,057**	154,983,386
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(1,917,218)**	3,089,597
CASH AND CASH EQUIVALENTS AT 30 JUNE	**124,254,345**	116,228,938
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**127,931,163**	119,504,929
Less: restricted bank deposits	**(3,676,818)**	(3,275,991)
	124,254,345	116,228,938

1. Basis of Preparation

These condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The condensed consolidated financial statements should be read in conjunction with the Group's 2017 annual financial statements, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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

The financial information relating to the year ended 31 December 2017 that is included in the condensed consolidated financial statements for the six months ended 30 June 2018 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with Section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by Section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622). The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under Sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

2. Application of New and Revised HKFRSs

The accounting policies applied are consistent with those of the Group's annual financial statements for the year ended 31 December 2017 as described in those annual financial statements, except for the adoption of new and revised standards or amendments effective for the financial year ending 31 December 2018.

In the current interim period, the Group has applied, for the first time, the following new and revised standards or amendments issued by the HKICPA which are relevant to the Group:

Amendments to HKAS 40	*Transfers of Investment Property*
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*

Except for the adoption of HKFRS 15, the application of the above new and revised standards or amendments has had no material impact on the Group's results and financial position.

HKFRS 9, *Financial Instruments*

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group adopted HKFRS 9 with effective from 1 January 2018, which resulted in changes in accounting policies. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

The equity investments held by the Group, including available-for-sale investments and investments in syndicated property project companies previously classified as available-for-sale financial assets under HKAS 39, were reclassified as financial assets at fair value through other comprehensive income ("FVOCI") under HKFRS 9. Except for the above, the application of HKFRS 9 did not have material impact on the classification, recognition and measurement of the other financial assets held by the Group at 1 January 2018 and 30 June 2018.

2. Application of New and Revised HKFRSs (Continued)

HKFRS 9, *Financial Instruments* (Continued)

The application of HKFRS 9 did not affect the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group did not have any such liabilities. The derecognition rules have been transferred from HKAS 39 and have not been changed.

The new hedge accounting rules align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principle-based approach. Since the Group did not have any hedge relationships currently, the application of HKFRS 9 did not have any impact on the Group's financial statements.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15, lease receivables, loan commitments and certain financial guarantee contracts. At 1 January 2018 and 30 June 2018, the Group assessed the impact of loss allowance under the application of HKFRS 9 was immaterial.

HKFRS 15, *Revenue from Contracts with Customers*

During the current period, the Group adopted HKFRS 15 as issued by the HKICPA. The adoption of HKFRS 15 resulted in changes in accounting policies and adjustments to the amounts of revenue recognised in the condensed consolidated financial statements. HKFRS 15 replaces the provisions of HKAS 18, Revenue and HKAS 11, Construction Contracts that relate to the recognition, classification and measurement of revenues and costs.

The Group elected to use a modified retrospective approach for transition in the condensed consolidated financial statements for the six months ended 30 June 2018, which allows the Group to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of equity at 1 January 2018, while prior period comparative figures were not restated. The Group chose to apply HKFRS 15 for its contracts at 1 January 2018.

2. Application of New and Revised HKFRSs (Continued)

HKFRS 15, *Revenue from Contracts with Customers* (Continued)

The effects of the adoption of HKFRS 15 are as follows:

Accounting for property development activities

In prior reporting periods, the Group recognised revenue from sale of properties when significant risks and rewards of ownership of properties had been transferred to customers at a single time and not continuously as construction progresses.

Under HKFRS 15, the Group determines whether the properties have alternative use to the Group due to contractual reasons and the Group has an enforceable right to payment from the customer for performance completed to date.

- For properties which have no alternative use to the Group and the Group has no enforceable right to payment from the customer for performance completed to date, the Group recognises revenue as the performance obligations are satisfied at a point in time when the customer obtains control of the property and the Group satisfies the performance obligations.

  The timing of revenue recognition for sale of certain stock of properties, which was based on whether significant risks and rewards of ownership of properties had been transferred in the past, is now recognised at a point in time when the underlying property is legally or physically transferred to the customer.

- For properties which have no alternative use to the Group and the Group has enforceable right to payment from the customer for performance completed to date, the Group recognises revenue as the performance obligations are satisfied over time in accordance with the input method for measuring progress.

  The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

2. Application of New and Revised HKFRSs (Continued)

HKFRS 15, *Revenue from Contracts with Customers* (Continued)

Accounting for costs incurred for obtaining a contract

Following the adoption of HKFRS 15, costs such as stamp duty and sales commission incurred directly attributable for obtaining a pre-sale property contract, if recoverable, are capitalised and recorded in contract assets.

Accounting for significant financing component

For contracts where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price is adjusted for the effects of a financing component, if significant.

Presentation of contract assets and contract liabilities

Reclassifications were made at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

- Contract assets in relation to amounts due from customers for contract work under the Group's construction activities were previously presented within trade and other receivables.

- Contract liabilities for progress billings recognised in relation to property development activities were previously presented as pre-sales deposits.

2. Application of New and Revised HKFRSs (Continued)

HKFRS 15, *Revenue from Contracts with Customers* (Continued)

(a) The effects of the adoption of HKFRS 15 on the consolidated statement of financial position at 1 January 2018 are as follows:

	At 1 January 2018			
	As previously stated HK$'000	Reclassification under HKFRS 15 HK$'000	Adjustments under HKFRS 15 HK$'000	Restated HK$'000
Consolidated statement of financial position (extract)				
Interests in associates	8,232,345	–	201,789	8,434,134
Deferred tax assets	4,902,484	–	(326,353)	4,576,131
Stock of properties	335,541,563	–	16,657,747	352,199,310
Trade and other receivables	14,300,567	(487,295)	(3,834,750)	9,978,522
Deposits and prepayments	7,240,012	–	29,139	7,269,151
Contract assets	–	487,295	146,373	633,668
Tax prepaid	4,089,095	–	247,069	4,336,164
Trade and other payables	51,826,299	–	(1,906,236)	49,920,063
Pre-sales deposits	77,857,359	(73,089,843)	(4,767,516)	–
Contract liabilities	–	73,089,843	28,546,858	101,636,701
Tax liabilities	29,741,619	–	(4,578,842)	25,162,777
Deferred tax liabilities	13,704,348	–	682,695	14,387,043
Translation reserve	(2,548,848)	–	(176,433)	(2,725,281)
Retained profits	181,830,845	–	(4,526,697)	177,304,148
Non-controlling interests	7,849,143	–	(152,814)	7,696,329

2. Application of New and Revised HKFRSs (Continued)

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

HKFRS 16	*Leases*[1]
Annual Improvement Project	*Annual Improvements 2015–2017 Cycle*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Comparison*[1]
Amendments to HKAS 19	*Employee Benefits*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK (IFRIC) – Int 23	*Uncertainty over Income Tax*[1]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]

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

2 *The mandatory effective date will be determined*

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

3. Financial Risk Management

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

The condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's 2017 annual financial statements.

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

4. Estimates

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

In preparing these condensed consolidated financial statements, in addition to the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty applied to the consolidated financial statements for the year ended 31 December 2017, the following significant judgements and estimates were applied:

Revenue recognition for property development activities

Revenue from property development activities is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognised at a point in time. The properties contracted for pre-sale to customers have generally no alternative use for the Group due to contractual restrictions. However, whether there is an enforceable right to payment and hence the related contract revenue should be recognised over time depends on the terms of each contract and the relevant laws that apply to that contract. Judgement is required in such determination.

For property development revenue that is recognised over time, the Group recognises such property development revenue by reference to the progress of satisfying the performance obligation at the reporting date. This is measured based on the Group's costs incurred up to the reporting date and budgeted costs which depict the Group's performance towards satisfying the performance obligation. Judgements are required in the determination in these estimates, such as the accuracy of the budgets, the extent of the costs incurred and the allocation of costs to each property unit.

5. Revenue and Contribution

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

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

Segment revenue and results

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

Six months ended 30 June 2018 – Unaudited

	Property development HK$'000	Property investment HK$'000	Other operations HK$'000	Segment total HK$'000
Revenue from contracts with customers				
– Recognised at a point in time	75,849,721	–	–	75,849,721
– Recognised over time	10,451,285	–	537,979	10,989,264
	86,301,006	–	537,979	86,838,985
Revenue from other sources				
– Rental income	–	1,761,769	–	1,761,769
Segment revenue	86,301,006	1,761,769	537,979	88,600,754
Business tax	(1,106,469)	(22,521)	(26,743)	(1,155,733)
Net revenue – External	85,194,537	1,739,248	511,236	87,445,021
Segment profit (including share of profits of associates and joint ventures)	30,645,385	6,688,532	36,540	37,370,457

5. Revenue and Contribution (Continued)

Segment revenue and results (Continued)

Six months ended 30 June 2017 – Unaudited

	Property development HK$'000	Property investment HK$'000	Other operations HK$'000	Segment total HK$'000
Segment revenue				
– from external customers	85,327,970	1,158,340	713,108	87,199,418
Business tax	(1,378,466)	(19,250)	(27,387)	(1,425,103)
Net revenue	83,949,504	1,139,090	685,721	85,774,315
Segment profit/(loss) (including share of profits of associates and joint ventures)	25,577,490	7,066,430	(46,089)	32,597,831

Reconciliation of reportable segment profits to the consolidated profit before tax

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

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Reportable segment profits	**37,370,457**	32,597,831
Unallocated items:		
Interest income on bank deposits	**673,650**	693,631
Corporate expenses	**(185,985)**	(151,486)
Finance costs	**(690,294)**	(650,983)
Net foreign exchange (losses)/gains (charged)/credited to the condensed consolidated income statement	**(23,757)**	381,363
Consolidated profit before tax	**37,144,071**	32,870,356

6. Finance Costs

	Six months ended 30 June 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Interest on bank and other borrowings and notes payable	**4,115,848**	3,606,030
Other finance costs	**53,528**	60,564
Total finance costs	**4,169,376**	3,666,594
Less: Amount capitalised	**(3,479,082)**	(3,015,611)
	690,294	650,983

7. Income Tax Expenses

	Six months ended 30 June 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Current tax:		
PRC Corporate Income Tax ("CIT")	**5,975,579**	5,614,941
PRC Land Appreciation Tax ("LAT")	**5,114,387**	3,856,971
PRC withholding income tax	**9,763**	134,451
Hong Kong profits tax	**128,175**	82,342
Macau income tax	**193,282**	–
Others	**2,360**	3,574
	11,423,546	9,692,279
Under/(over) provision in prior periods:		
CIT	**–**	(1,380)
Hong Kong profits tax	**50**	38,097
Macau income tax	**–**	(2,522)
	50	34,195
Deferred tax:		
Current period	**1,465,073**	656,963
Total	**12,888,669**	10,383,437

7. Income Tax Expenses (Continued)

Under the Law of PRC on Corporate Income Tax (the "CIT Law") and Implementation Regulation of the CIT Law, the tax rate of PRC subsidiaries is 25% (2017: 25%).

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

Hong Kong profits tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profit for the period.

Macau income tax is calculated at the prevailing tax rate of 12% (2017: 12%) in Macau.

8. Profit for the Period

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	**98,671**	97,762
Amortisation of prepaid lease payments for land	**8,240**	8,016
Interest income	**(951,362)**	(823,544)
Net foreign exchange losses/(gains)	**23,757**	(381,363)

9. Earnings Per Share

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

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share		
Profit for the period attributable to owners of the Company	**23,218,766**	21,654,474

	Six months ended 30 June	
	2018	2017
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**10,956,201**	10,956,201

Pursuant to the share options granted on 29 June 2018 (Note 13), there were dilutive potential ordinary shares in existence during the six months ended 30 June 2018, however, the impact on diluted earnings per share is insignificant.

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

10. Dividends

	Six months ended 30 June 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Dividends recognised as distribution during the period		
2017 final dividend of HK45 cents per share paid on 6 July 2018 (six months ended 30 June 2017: 2016 final dividend of HK42 cents per share paid on 7 July 2017)	**4,930,291**	4,601,605

The Board has determined that an interim dividend of HK40 cents (2017: HK35 cents) per share, amounting to HK$4,382,481,000 (2017: HK$3,834,671,000) will be paid to owners of the Company whose names appear in the Register of Members on 20 September 2018. The amount of interim dividend declared, which was calculated based on the number of ordinary shares in issue at the date of approval of the condensed consolidated financial statements, has not been recognised as a liability in the condensed consolidated financial statements. It will be recognised in the owners' equity for the year ending 31 December 2018.

11. Trade and Other Receivables

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

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

11. Trade and Other Receivables (Continued)

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

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Trade receivables, aged		
0–30 days	**4,897,869**	6,315,313
31–90 days	**1,018,013**	653,876
Over 90 days	**1,594,021**	1,857,092
	7,509,903	8,826,281
Other receivables	**4,093,919**	5,474,286
	11,603,822	14,300,567

12. Trade and Other Payables

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

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Trade payables, aged		
0–30 days	**10,365,097**	12,550,567
31–90 days	**1,368,432**	1,392,923
Over 90 days	**17,852,892**	20,223,088
	29,586,421	34,166,578
Other payables	**5,904,453**	6,537,816
Retentions payable	**12,109,663**	11,121,905
	47,600,537	51,826,299

Other payables mainly include other taxes payable and accrued charges.

13. Share Capital

	Number of Shares '000	HK$'000
Issued and fully paid:		
At 1 January 2018 and 30 June 2018	**10,956,201**	**90,420,438**

Share Option Schemes

On 29 June 2018 (the "Date of Grant"), the Company offered to grant share options (the "Share Options") to certain eligible persons (collectively, the "Grantees"), to subscribe for a total of 107,320,000 shares of the Company, subject to acceptance of the Grantees, under the share option scheme adopted by the Company on 11 June 2018. Out of the 107,320,000 share options granted, a total of 2,000,000 share options were granted to directors of the Company. The exercise price is HK$25.85 per share.

One-third of the Share Options granted will vest on each of 29 June 2020, 29 June 2021 and 29 June 2022. The closing price immediately before the Date of Grant was HK$25.85 per share.

Valuation of the Share Options

The fair value of the Share Options on the Date of Grant determined using the Binomial Options Pricing Model was HK$6.36 per share. The fair value is estimated based on the risk-free rate at 2.12% per annum with reference to the market yield rates of the Hong Kong Government Bond (maturing 21 June 2021 and 6 December 2021) as of the Date of Grant, a historical volatility of 31.91% calculated based on the historical price with period equals to the life of the options, assuming dividend yield of 3.09% based on the average dividend yield in the past six years and an expected option life of six years.

The Binomial Options Pricing Model requires input of subjective assumptions such as the expected stock price volatility. Change in the subjective input may materially affect the fair value estimates.

13. Share Capital (Continued)

Accounting policy adopted for the Share Options

The fair value of the Share Options granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

– including any market performance conditions (e.g. the entity's share price);

– excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

– including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

14. Notes Payable – Due After One Year

During the six months ended 30 June 2018, the Group issued the following new notes:

Issue date	Principal amount (in million)	Issue price	Fixed interest rate per annum	Maturity date	Carrying amount at 30 June 2018 HK$'000
5 February 2018	RMB3,000[(i)] (approximately HK$3,743)	100%	5.60%	6 February 2021	3,571,429
26 April 2018	US$750[(ii)] (approximately HK$5,850)	99.844%	4.25%	26 April 2023	5,822,270
26 April 2018	US$750[(ii)] (approximately HK$5,850)	99.646%	4.75%	26 April 2028	5,810,429

Notes:

(i) *Interest is payable annually.*

(ii) *The notes are unconditionally and irrevocably guaranteed by the Company. They shall become immediately due and payable in the event of the failure to perform or observe certain conditions set out in the trust deed which includes, inter alia, the negative pledge given by the Company and the related subsidiaries. Interest is payable semi-annually.*

15. Acquisition of Subsidiaries

For the six months ended 30 June 2017

On 17 June 2017, Beauty Select Limited ("Beauty Select"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with GCPF Shanghai 65 Corp. ("GCPF"), pursuant to which Beauty Select agreed to purchase and GCPF agreed to sell the 50% of the issued shares of Big Profit Enterprises Limited ("Big Profit") at a total cash consideration of USD232,545,000 (equivalent to HK$1,813,903,000). Related shareholder's loan of USD160,840,000 (equivalent to HK$1,252,185,000) was also acquired as part of the acquisition. Big Profit is an investment holding company and holds 100% equity interest in 上海中海海軒房地產有限公司 (Shanghai COB Haixuan Real Estate Co., Limited), which is engaged in property investment business in Shanghai, the PRC. The acquisition was completed on 27 June 2017 and Big Profit became a wholly-owned subsidiary of the Company.

15. Acquisition of Subsidiaries (Continued)

For the six months ended 30 June 2017 (Continued)

Before the acquisition, the Group held 50% equity interest in Big Profit which was accounted for as a joint venture of the Group. The Group remeasured its equity interest in Big Profit immediately prior to the acquisition date, resulting in a gain arising from fair value remeasurement of HK$2,140,171,000. In addition, a gain on acquisition of subsidiaries of HK$326,267,000, being the difference between the fair value of total identifiable net assets acquired and the aggregate consideration transferred and fair value of previously held equity interest, was recognised.

The acquisition-related costs have been expensed off and are included in the administrative expenses in the profit or loss.

The following table summarised the consideration for the acquisition as mentioned above, and the fair value of assets acquired and liabilities assumed at the acquisition date.

	HK$'000
Aggregate consideration transferred and fair value of previously held equity interest:	
Total consideration	1,813,903
Fair value of the previously held equity interest in Big Profit immediately prior to the acquisition	2,140,171
	3,954,074

15. Acquisition of Subsidiaries (Continued)

For the six months ended 30 June 2017 (Continued)

	Fair value on acquisition HK$'000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Investment properties	9,780,396
Property, plant and equipment	286
Other receivables, deposits and prepayments	21,817
Bank balances and cash	58,129
Trade and other payables	(371,664)
Bank borrowings	(1,065,825)
Deferred tax liabilities	(1,638,428)
Loans due to GCPF	(1,252,185)
Loans due to the Group	(1,252,185)
Total identifiable net assets acquired	4,280,341
Gain on acquisition of subsidiaries	(326,267)
	3,954,074
Net cash outflow arising from acquisition	
Cash consideration paid	(1,813,903)
Acquisition of loans owed by Big Profit to GCPF	(1,252,185)
Cash and cash equivalents acquired	58,129
	(3,007,959)

Big Profit had no contribution to the Group's revenue and profit for the six months ended 30 June 2017 since the date of acquisition.

Had the acquisition of Big Profit been completed on 1 January 2017, the Group's revenue and profit for the six months ended 30 June 2017 would have been HK$87,199,418,000 and HK$22,486,793,000 respectively.

16. Capital Commitments

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Capital expenditure in respect of investment properties:		
Contracted but not provided for	**1,078,773**	1,041,127

17. Contingent Liabilities

Guarantees given by the Group to banks in respect of credit facilities granted to:

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Associates		
– Maximum	**771,429**	1,474,104
– Utilised	**771,429**	1,474,104
Joint ventures		
– Maximum	**1,444,446**	1,241,988
– Utilised	**1,444,446**	1,241,988

At 30 June 2018, the Group had counter indemnities amounted to HK$20,191,000 (31 December 2017: HK$20,191,000) for guarantees issued in respect of certain construction contracts undertaken by the Group.

At 30 June 2018, the Group provided guarantees amounted to HK$42,733,110,000 (31 December 2017: HK$51,140,067,000) for the repayment of the mortgage bank loans granted to purchasers of the Group's properties.

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

18. Pledge of Assets

At the end of the reporting period, certain assets of the Company's subsidiaries have been pledged to secure the bank and other borrowings of the Company's subsidiaries. The carrying values of the pledged assets at 30 June 2018 and 31 December 2017 were as follows:

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Investment properties	–	1,937,760
	–	1,937,760

19. Related Party Transactions

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

Nature of transaction	Notes	Six months ended 30 June 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Fellow subsidiaries			
Property development project construction fee	*(a)*	**2,081,426**	2,036,737
Rental and utility income	*(b)*	**17,752**	789
Insurance fee	*(c)*	**19**	6
Heating pipes connection service fee	*(a)*	**24,538**	2,848
Building design consultancy income	*(c)*	**1,752**	–
Property management fee	*(f)*	**180,299**	79,995
Engineering service fee	*(f)*	**6,505**	2,496
Associates			
Property management income	*(f)*	**–**	6,554
Interest income	*(d)*	**154,443**	111,316
Royalty income	*(e)*	**111,592**	83,917
Rental expenses	*(b)*	**9,020**	7,578
Joint ventures			
Interest income	*(d)*	**123,269**	18,596

19. Related Party Transactions (Continued)

(a) (Continued)

Notes:

(a) *Property development project construction fee and heating pipes connection service fee are charged in accordance with respective contracts. The amounts represent aggregated transaction amounts during the period in relation to contracts signed in current and prior periods.*

(b) *Rental and utility income and rental expenses are charged in accordance with respective tenancy agreements.*

(c) *Insurance fee and building design consultancy income are charged in accordance with respective contracts.*

(d) *Interest income is charged at interest rates as specified on the outstanding amounts.*

(e) *Royalty income is charged at annual fee as specified in the contracts.*

(f) *Property management income, property management fee and engineering service fee are charged at rates in accordance with respective contracts.*

(b) The remuneration of the Company's directors and other members of key management of the Group during the period were as follows:

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Basic salaries, housing allowances, bonus, other allowances and benefits in kind	**48,940**	43,594
Equity-settled share-based payment expenses	**3,636**	3,402
Mandatory Provident Fund contribution	**146**	146
	52,722	47,142

Others

Interim Dividend and Closure of Register of Members

The board (the "**Board**") of directors (the "**Directors**") of the Company declared the payment of an interim dividend of HK40 cents per Share (2017: HK35 cents per Share) for the six months ended 30 June 2018. The interim dividend will be payable in cash.

Relevant Dates for Interim Dividend Payment

Ex-dividend date	18 September 2018
Closure of Register of Members	20 September 2018
Record date	20 September 2018
Despatch of dividend warrants	5 October 2018

In order to qualify for the interim dividend, all transfers, accompanied by the relevant certificates, should be lodged with the Company's registrar and transfer office, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 19 September 2018.

Share Capital

The total number of Shares in issue as at 30 June 2018 was 10,956,201,535 ordinary shares.

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

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Guaranteed Notes

On 19 April 2018, the Company and the issuer (a wholly owned subsidiary of the Company) entered into a subscription agreement with the joint lead managers, joint bookrunners and joint global coordinators in relation to the issue of US$750,000,000 4.25 per cent. guaranteed notes due April 2023 and US$750,000,000 4.75 per cent. guaranteed notes due April 2028 (the "**Guaranteed Notes**"). The Guaranteed Notes are guaranteed by the Company irrevocably and unconditionally, details of which are set out in note 14 to the financial statements of the Company.

Guaranteed Notes (Continued)

The net proceeds of the issue of the Guaranteed Notes, after deducting the fees and other expenses in connection with the issue of the Guaranteed Notes, amounted to approximately US$1,491.4 million, which are used to finance new and existing projects, to repay and/or refinance the existing indebtedness of the Group and for general corporate purposes.

Directors' and Chief Executive's Interests in Securities

At 30 June 2018, the Directors, the chief executive of the Company and their respective associates had the following interests in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"):

(a) Long Positions in Shares and Underlying Shares of the Company

(i) Long Positions in Ordinary Shares
(all being personal interest and being held in the capacity of beneficial owner)

Name of Directors	Number of Shares held	% of Shares in issue *(Note)*
Dr. Fan Hsu Lai Tai, Rita	24,000	0.0002%
Mr. Li Man Bun, Brian David	5,460,000	0.0498%

Note: The percentage is based on the total number of Shares in issue as at 30 June 2018 (i.e. 10,956,201,535 Shares).

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

(a) Long Positions in Shares and Underlying Shares of the Company (Continued)

(ii) Long Positions in Share Options relating to Ordinary Shares (all being personal interest and being held in the capacity of beneficial owner)

Name of Directors	Date of grant of Share Options *(DD.MM.YYYY)*	Number of Share Options: Balance as at date of grant	Balance as at 1 January 2018	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Balance as at 30 June 2018	Total consideration paid for Share Options granted *HK$*	Exercise period of Share Options (both days inclusive)* *(DD.MM.YYYY)*	Subscription price of Share Options *HK$ (per share)*	Price of ordinary shares at date immediately before date of grant** *HK$ (per share)*	Price of ordinary shares at date immediately before the exercise date*** *HK$ (per share)*
Mr. Yan Jianguo	29.06.2018	700,000	–	700,000	–	–	700,000	1	29.06.2020 to 28.06.2024	25.85	24.65	–
Mr. Luo Liang	29.06.2018	700,000	–	700,000	–	–	700,000	1	29.06.2020 to 28.06.2024	25.85	24.65	–
Mr. Guo Guanghui	29.06.2018	600,000	–	600,000	–	–	600,000	1	29.06.2020 to 28.06.2024	25.85	24.65	–

*Notes to the above share options (the "**Share Options**") granted pursuant to the share option scheme adopted by the Company on 11 June 2018 (the "**Share Option Scheme**"):*

(a) One-third of Share Options granted will vest on each of 29 June 2020, 29 June 2021 and 29 June 2022.

(b) Exercise of the Share Options is conditional upon the achievement of certain individual performance targets of each eligible person and certain financial performance targets of the Company as determined by the Board.

** If the last day of an exercise period is not a business day in Hong Kong, such exercise period shall end at the close of business on the business day immediately preceding that day.*

*** The price of the Company's ordinary shares disclosed as "immediately before date of grant" is the closing price of the Shares on the Stock Exchange on the business day prior to which the Share Options were granted.*

**** The price of the Company's ordinary shares disclosed as "immediately before the exercise date" is the weighted average closing price of the Shares on the Stock Exchange immediately before the dates on which the Share Options were exercised by each of the Directors or all other eligible persons as an aggregate whole.*

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

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

(all being personal interest and being held in the capacity of beneficial owner)

Name of Directors	Number of shares held (Note 5)	% of shares in issue (Notes 1, 2, 3 and 4)
*– China State Construction & Engineering Corporation Limited ("**CSCECL**")*		
Mr. Luo Liang	294,000	0.001%
Mr. Guo Guanghui	210,000	0.001%
– China State Construction International Holdings Limited		
Mr. Luo Liang	3,531,469	0.079%
– China Overseas Property Holdings Limited		
Mr. Li Man Bun, Brian David	1,820,000	0.055%
– China Overseas Grand Oceans Group Limited		
Mr. Luo Liang	105,000	0.003%

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

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

Notes:

1. *The percentage is based on the total number of shares of CSCECL in issue as at 30 June 2018 (i.e. 30,000,000,000 shares). Upon completion of CSCECL's listing of bonus shares on 2 July 2018, the total number of shares of CSCECL in issue has been increased to 41,985,174,455 shares and the number of shares held by each of Mr. Luo Liang and Mr. Guo Guanghui represents 0.001% of shares of CSCECL in issue as at 30 June 2018.*

2. *The percentage is based on the total number of shares of China State Construction International Holdings Limited in issue as at 30 June 2018 (i.e. 5,049,156,668 shares).*

3. *The percentage is based on the total number of shares of China Overseas Property Holdings Limited in issue as at 30 June 2018 (i.e. 3,286,860,460 shares).*

4. *The percentage is based on the total number of shares of China Overseas Grand Oceans Group Limited in issue as at 30 June 2018 (i.e. 3,423,359,841 shares).*

5. *Mr. Luo Liang and Mr. Guo Guanghui acquired 210,000 shares and 150,000 shares in CSCECL respectively at RMB4.866 per share on 29 December 2016 in accordance with the A-shares Restricted Stock Incentive Plan (Phase II) of CSCECL. On 29 June 2018, CSCECL issued bonus shares on the basis of four bonus A-shares for every ten existing A-shares. Upon the issue of bonus shares by CSCECL, Mr. Luo Liang and Mr. Guo Guanghui held 294,000 shares and 210,000 shares in CSCECL respectively.*

Save as disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any Director or chief executive of the Company or their respective associates in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein. None of the Directors or chief executive of the Company (including their spouses and children under the age of 18) had, as at 30 June 2018, any interest in, or had been granted any right to subscribe for the shares and options of the Company and its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

Substantial Shareholders' Interests in Securities

At 30 June 2018, the following parties (other than Directors or chief executive of the Company) were the substantial shareholders of the Company and had interests in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Name of shareholders	Number of Shares and underlying Shares held			% of Shares in issue *(Note 1)*			Capacity
	(Long Position)	(Short Position)	(Lending Pool)	(Long Position)	(Short Position)	(Lending Pool)	
Silver Lot Development Limited ("**Silver Lot**")	521,264,928	–	–	4.76%	–	–	Beneficial owner
China Overseas Holdings Limited ("**COHL**") *(Note 2)*	5,613,080,255	280,124,096 *(Note 4)*	–	51.23%	2.56%	–	Beneficial owner
	521,264,928	–	–	4.76%	–	–	Interest of controlled corporation
CSCECL *(Note 3)*	6,134,345,183	280,124,096 *(Note 4)*	–	55.99%	2.56%	–	Interest of controlled corporation
China State Construction Engineering Corporation ("**CSCEC**") *(Note 3)*	6,134,345,183	280,124,096 *(Note 4)*	–	55.99%	2.56%	–	Interest of controlled corporation
Complete Noble Investments Limited ("**Complete Noble**") *(Notes 5 and 6)*	1,095,620,154	–	–	10.00%	–	–	Beneficial owner
Affluent East Investments Limited ("**Affluent East**") *(Notes 5 and 6)*	1,095,620,154	–	–	10.00%	–	–	Interest of controlled corporation
CITIC Limited ("**CITIC**") *(Notes 5 and 6)*	1,095,620,154	–	–	10.00%	–	–	Interest of controlled corporation
CITIC Glory Limited ("**CITIC Glory**") *(Note 6)*	1,095,620,154	–	–	10.00%	–	–	Interest of controlled corporation
CITIC Polaris Limited ("**CITIC Polaris**") *(Note 6)*	1,095,620,154	–	–	10.00%	–	–	Interest of controlled corporation
CITIC Group Corporation ("**CITIC Group**") *(Note 6)*	1,095,620,154	–	–	10.00%	–	–	Interest of controlled corporation

Substantial Shareholders' Interests in Securities (Continued)

Notes:

1. *The percentage is based on the total number of Shares in issue as at 30 June 2018 (i.e. 10,956,201,535 Shares).*

2. *Silver Lot is a direct wholly owned subsidiary of COHL, thus COHL is deemed by the SFO to be interested in Shares (including long position, short position and lending pool (if any)) in which Silver Lot is or is taken to be interested.*

3. *COHL is a direct wholly owned subsidiary of CSCECL, which in turn is a direct non-wholly owned subsidiary of CSCEC, thus CSCECL and CSCEC are deemed by the SFO to be interested in Shares (including long position, short position and lending pool (if any)) in which COHL is or is taken to be interested.*

4. *On 5 January 2016, a subsidiary of COHL issued exchangeable bonds which are exchangeable into 280,124,096 Shares.*

5. *Complete Noble is a direct wholly owned subsidiary of Affluent East, which in turn is a direct wholly owned subsidiary of CITIC.*

6. *More than 50% of CITIC is held by CITIC Glory and CITIC Polaris, both of which are direct wholly owned subsidiaries of CITIC Group, in aggregate. Accordingly, CITIC is an indirect non-wholly owned subsidiary of CITIC Group and Affluent East, CITIC, CITIC Glory, CITIC Polaris and CITIC Group are all deemed by the SFO to be interested in Shares (including long position, short position and lending pool (if any)) in which Complete Noble is or is taken to be interested.*

Save as disclosed above, the Company had not been notified by any other person (other than Directors or chief executive of the Company) who had an interest in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30 June 2018.

Share Option Scheme

The Share Option Scheme was approved and adopted by shareholders of the Company on 11 June 2018 and unless otherwise cancelled or amended, it will remain in force for 10 years from 11 June 2018. The purpose of the Share Option Scheme is to attract and retain the best quality personnel for the development of the Group's businesses, to provide additional incentives to the qualifying grantee (being, among others, any employee of the Group or such other persons that have contributed to the Group as specified in the Share Option Scheme) that have contributed to the Group; and to promote the long term financial success of the Group by aligning the interests of Share Option holders with shareholders of the Company.

Share Option Scheme (Continued)

The limit on the number of Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other schemes must not exceed 30% of the Shares in issue from time to time. No share options may be granted under any scheme of the Company if this will result in the limit being exceeded.

The number of Shares in respect of the Share Options that may be granted according to the Share Option Scheme shall not exceed 10% of the Shares in issue as at the date of adoption of the Share Option Scheme (i.e. 11 June 2018). On the basis of 10,956,201,535 Shares in issue as at 11 June 2018, this would be 1,095,620,153 Shares.

Unless otherwise approved by the shareholders of the Company in a general meeting, the number of Shares that may be granted to each of the eligible persons under the Share Options shall not exceed 1% within any 12-month period.

Unless otherwise approved by shareholders of the Company in a general meeting, no Share Option may be granted to any substantial shareholder of the Company, independent non-executive Directors or their respective associates, that would result in the Shares issued or to be issued to such person in the 12-month period up to and including the date of Board meeting proposing for the grant (i) exceeding 0.1% of the Shares in issue from time to time; and (ii) in aggregate exceeding HK$5 million based on the closing price of the Shares at the date of the Board meeting proposing for such grant.

The subscription price in respect of any particular Share Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Share Option, but shall not be less than whichever is the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; and (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant.

The period within which the Shares must be taken up under a Share Option shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 6 years from the date of grant of the relevant Share Option.

HK$1.00 is payable by the Share Option holders to the Company on the acceptance of the offer of the Share Options.

Share Option Scheme (Continued)

Other details of the Share Option Scheme are set out in Appendix III to the circular published by the Company on 16 April 2018.

During the reporting period, the Company granted 107,320,000 Share Options to 3 Directors and 401 other eligible persons to subscribe for a total of 107,320,000 Shares at a subscription price of HK$25.85 per share, subject to acceptance of the eligible persons, under the Share Option Scheme.

As at 30 June 2018, no Share Option has been vested and no Share is issuable for the outstanding Share Options granted. Save as disclosed above, no Share Option was granted, lapsed, exercised and cancelled.

During the six months ended 30 June 2018, Share Options for 107,320,000 Shares with a fair value on the date of grant of approximately HK$682,418,000 were granted to eligible persons in accordance with the terms of the Share Option Scheme.

During the six months ended 30 June 2018, save as disclosed in the section of "Directors' and Chief Executive's Interests in Securities", details of the movements of the Share Options under the Share Option Scheme are as follows:

		Number of Share Options										
Participants	Date of grant of Share Options *(DD.MM.YYYY)*	Balance as at date of grant	Balance as at 1 January 2018	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Balance as at 30 June 2018	Total consideration paid for Share Options granted *HK$*	Exercise period of Share Options (both days inclusive)* *(DD.MM.YYYY)*	Subscription price of Share Options *HK$ (per share)*	Price of ordinary shares at date immediately before date of grant** *HK$ (per share)*	Price of ordinary shares at date immediately before the exercise date*** *HK$ (per share)*
Other eligible persons	29.06.2018	105,320,000	–	105,320,000	–	–	105,320,000	401	29.06.2020 to 28.06.2024	25.85	24.65	–

Notes to the above Share Options granted pursuant to the Share Option Scheme:

(a) *One-third of Share Options granted will vest on each of 29 June 2020, 29 June 2021 and 29 June 2022.*

(b) *Exercise of the Share Options is conditional upon the achievement of certain individual performance targets of each eligible person and certain financial performance targets of the Company as determined by the Board.*

Share Option Scheme (Continued)

* *If the last day of an exercise period is not a business day in Hong Kong, such exercise period shall end at the close of business on the business day immediately preceding that day.*

** *The price of the Company's ordinary shares disclosed as "immediately before date of grant" is the closing price of the Shares on the Stock Exchange on the business day prior to which the Share Options were granted.*

*** *The price of the Company's ordinary shares disclosed as "immediately before the exercise date" is the weighted average closing price of the Shares on the Stock Exchange immediately before the dates on which the Share Options were exercised by each of the Directors or all other eligible persons as an aggregate whole.*

Corporate Governance

The Company has complied throughout the six months ended 30 June 2018 with all the code provisions (except A.2.1 and A.4.1 as explained below) of the Corporate Governance Code ("**CG Code**") from time to time as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and with most of the recommended best practices contained therein.

CG Code A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

During the six months ended 30 June 2018, Mr. Yan Jianguo ("**Mr. Yan**") performed both the roles of the Chairman and the Chief Executive Officer of the Company. In allowing the two positions to be occupied by the same person, the Company has considered that both positions require in-depth knowledge and considerable experience of the Group's business. Candidates with the requisite knowledge, experience and leadership are difficult to identify. If either of the positions is occupied by an unqualified person, the Group's performance could be compromised. Based on the experience and qualification of Mr. Yan, the Board believes that the vesting of two roles to Mr. Yan would continue to provide the Group with stable and consistent leadership and continue to allow for effective and efficient planning and implementation of long-term business strategies. Besides, the Board believes that the balance of power and authority will not be impaired by such arrangement as it is adequately ensured by the Board which comprises experienced and high calibre individuals (including executive Directors, non-executive Director and independent non-executive Directors). The Board shall nevertheless review the structure from time to time and shall consider the appropriate adjustment should suitable circumstance arise.

Corporate Governance (Continued)

CG Code A.4.1 stipulates that non-executive directors should be appointed for a specific term. The non-executive Directors (as well as all other Directors) are not appointed for a specific term. All the Directors are nevertheless subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct on governing securities transactions by Directors (the "**Securities Code**") on terms no less exacting than that required under the Model Code contained in Appendix 10 of the Listing Rules. The Directors have confirmed, following specific enquiry by the Company, that they have complied with the requirements set out in the Securities Code during the six months ended 30 June 2018.

Changes in Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in Directors' information since the date of the 2017 Annual Report up to 23 August 2018 (the date of this Interim Report) are set out as below:

Name of Directors	Details of changes
Mr. Lam Kwong Siu	• Appointed a non-executive director of Bank of China International Limited
	• Appointed an independent non-executive director of Vico International Holdings Limited with effect from 16 January 2018
Mr. Li Man Bun, Brian David	• Appointed a chairman of the remuneration committee of Hopewell Highway Infrastructure Limited with effect from 11 April 2018
	• Appointed a member of the Chief Executive's Council of Advisers on Innovation & Strategic Development of the Government of the Hong Kong Special Administrative Region
	• Appointed a member of the Asian Financial Forum Steering Committee
	• Ceased to be a council member of The Hong Kong Management Association
	• Ceased to be a member of the Hong Kong-Taiwan Business Cooperation Committee

Review of Interim Report by Audit and Risk Management Committee

The Company's Audit and Risk Management Committee has reviewed the unaudited interim results of the Company for the six months ended 30 June 2018, and discussed with the Company's management regarding risk management, internal control and other important matters.

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