



中國海外宏洋集團有限公司
CHINA OVERSEAS GRAND OCEANS GROUP LTD.

Stock Code 股份代號: 00081

凝心聚力
TOGETHER 闊步前行
WE ADVANCE

Interim Report
2019 中期報告



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Board of Directors and Committees

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Yan Jianguo

EXECUTIVE DIRECTORS

Zhang Guiqing *Chief Executive Officer*

Wang Man Kwan, Paul *Chief Financial Officer*

Yang Lin *Vice President*

NON-EXECUTIVE DIRECTOR

Yung Kwok Kee, Billy *Vice Chairman*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chung Shui Ming, Timpson

Lam Kin Fung, Jeffrey

Lo Yiu Ching, Dantes

AUTHORIZED REPRESENTATIVES

Yan Jianguo

Zhang Guiqing

Wang Man Kwan, Paul *(Alternate Authorized
Representative to
Zhang Guiqing)*

AUDIT COMMITTEE

Chung Shui Ming, Timpson*

Lam Kin Fung, Jeffrey

Lo Yiu Ching, Dantes

REMUNERATION COMMITTEE

Lam Kin Fung, Jeffrey*

Yung Kwok Kee, Billy

Chung Shui Ming, Timpson

Lo Yiu Ching, Dantes

Zhang Guiqing

NOMINATION COMMITTEE

Lo Yiu Ching, Dantes*

Chung Shui Ming, Timpson

Lam Kin Fung, Jeffrey

Yan Jianguo

* *Committee Chairman*

Corporate and Shareholders' Information

CORPORATE INFORMATION

Registered Office

Suites 701-702, 7/F., Three Pacific Place
1 Queen's Road East, Hong Kong
Telephone : (852) 2988 0600
Facsimile : (852) 2988 0606
Website : www.cogog.com.hk

COMPANY SECRETARY

Edmond Chong

SHARE REGISTRAR

Tricor Standard Limited
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong
Telephone : (852) 2980 1333
Facsimile : (852) 2810 8185
E-mail : is-enquiries@hk.tricorglobal.com

LEGAL ADVISOR

Mayer Brown

AUDITOR

BDO Limited
Certified Public Accountants

PRINCIPAL BANKERS

(In Alphabetical Order)

Agriculture Bank of China Limited
Agriculture Bank of China Ltd.,
Hong Kong Branch
Bank of China Limited
Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.,
Hong Kong Branch
Bank of Shanghai Co. Ltd.
China Bohai Bank Co., Ltd.
China CITIC Bank Corporation Limited
China Construction Bank (Asia) Corporation
Limited
China Construction Bank Corporation
China Merchants Bank Co., Ltd.
DBS Bank Ltd., Hong Kong Branch
Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
Industrial Bank Co., Ltd.
Industrial and Commercial Bank of
China Limited
Nanyang Commercial Bank (China) Limited
Shanghai Pudong Development Bank
Co., Ltd., Hong Kong Branch

SHAREHOLDERS' INFORMATION

Share Listing

The Company's shares are listed on
The Stock Exchange of Hong Kong Limited
(the "Stock Exchange").

Ordinary Shares (as at 30 June 2019)

Shares outstanding 3,423,359,841 shares

STOCK CODE

Shares

Stock Exchange : 00081
Bloomberg : 81:HK
Reuters : 0081.HK

INVESTOR RELATIONS

Corporate Communications Department
Telephone : (852) 2988 0600
Facsimile : (852) 2988 0606
E-mail : cogo.ir@cohl.com

PUBLIC RELATIONS

Corporate Communications Department
Telephone : (852) 2988 0600
Facsimile : (852) 2988 0606
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FINANCIAL CALENDAR

2019 interim results announcement	21 August 2019
Ex-dividend date	18 September 2019
Closure of Register of Members	20 September 2019
Record date	20 September 2019
Despatch of dividend warrants	17 October 2019

INTRODUCTION

I am pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2019. The Group's unaudited consolidated profit attributable to owners of the Company for the first half of 2019 was HK\$1,831.6 million (the corresponding period in 2018: HK\$1,014.2 million), representing an increase of 80.6% over the corresponding period last year. Basic earnings per share were HK53.5 cents.

In the face of complex and uncertain environment both at home and abroad, the operating environment has been extremely challenging in the past few months. However, thanks to the strenuous efforts of the government to reform and optimize industrial structure, the economy of China still managed to show steady growth and continued to perform within a reasonable range in the first half of the year. Under the current policy environment, the property market in China also stayed stable in general during the first half of 2019.

Riding on the strong sales momentum of last year, the Group stepped up its marketing efforts and unveiled more promotional campaigns to further boost property sales amid dynamic operating environment. In addition to accelerate property sales, the Group also kept on enhancing the quality of its property projects in order to meet the escalating customers' requirement and market competition.

While adheres firmly to its prudent investment principle, the Group actively looked for opportunities to enlarge its land bank with the addition of high quality projects at reasonable costs to pave the way for sustainable business development. In current market, selecting right cities with good potential for investments is critical for persisted growth. During the past six months, having undertaken detailed and thorough assessments, the Group extended its footprint to Quanzhou, Fujian province. In the first half of the year, the Group bagged a total of fourteen parcels of land with a total gross floor area of about 3,563,000 square meter (sq.m.) (attributable to the Group: 3,091,400 sq.m.) and other than the new city mentioned above, the land pieces are located in Guilin, Shaoxing, Changzhou, Xuzhou, Lanzhou, Jilin, Hohhot, Nanning and Hefei. As at 30 June 2019, the gross floor area of total land bank of the Group and its joint ventures in China reached about 23,863,100 sq.m., of which, about 68,200 sq.m. is held by joint ventures. The gross floor area of land bank attributable to the Group (including the interests in joint ventures) is about 22,015,900 sq.m.. The Group held a land bank distributed in 25 cities as at 30 June 2019.

RESULTS

For the first half year ended 30 June 2019, contracted property sales of the Group and its associates and joint ventures was HK\$28,626.0 million (the corresponding period in 2018: HK\$28,454.0 million), for an aggregated contracted area of 2,374,100 sq.m. (the corresponding period in 2018: 2,263,500 sq.m.), (in which, HK\$393.2 million [the corresponding period in 2018: HK\$806.6 million] for an aggregated contracted area of 32,300 sq.m. [the corresponding period in 2018: 39,800 sq.m.] was contributed from associates and joint ventures) representing an increase of 0.6% and 4.9% respectively against the same period last year. As at 30 June 2019, the balance of preliminary sales pending the completion of sales and purchase agreements was HK\$1,282.0 million (30 June 2018: HK\$607.0 million) for an aggregated contracted area of 82,200 sq.m. (30 June 2018: 38,800 sq.m.).

The Group attained a turnover of HK\$12,794.6 million (the corresponding period in 2018: HK\$11,188.5 million) for the period, representing an increase of 14.4% over the corresponding period last year. Profit attributable to owners of the Company for the period reached HK\$1,831.6 million (the corresponding period in 2018: HK\$1,014.2 million), 80.6% higher than the same period last year. Basic earnings per share was also up 69.8% comparing with the corresponding period last year, to HK53.5 cents (the corresponding period in 2018: HK31.5 cents per share).

INTERIM DIVIDEND

After reviewing the results performance for the period and working capital requirements for the Group's future expansion of its business, the Board is grateful to declare an interim dividend of HK6 cents per share (the corresponding period in 2018: HK3 cents per share).

The existing dividend policy that total amount of dividends to be distributed by the Company for each financial year shall be approximately 20-30% of the Group's consolidated net profit attributable to shareholders, remains unchanged and the Board will recommend the payment of final dividend upon reviewed the full year results performance of the Group.

PROSPECTS

The Economy

The world today is undergoing tumultuous changes as global political and economic patterns enter a period of high uncertainty and the cycle of global economic fluctuations becomes ever shorter. Coupled with the impact of the Sino-US trade war, downward pressure on China's economy has increased, forcing the country's domestic economic policies to undergo more frequent pre-adjustments and fine-tuning. The Group believes that with the strong resilience of the Chinese economy and the presence of strong endogenous growth drivers, economic growth will remain within a reasonable range. The Group will respond to uncertainties in the external environment with a determined strategy, executed effectively.

Real Estate Development

The property market in China recovered and has become stable in the first half of 2019. Although the progress of development among second and third tier cities was not the same, the overall market remained healthy and stable.

Amidst complicated and dynamic environment, there are some uncertainties in the property market. The impacts of the uncertainties arising from the Sino-US trade war on economic development still need to be monitored. The intensity and timeliness of restrictions imposed by National Development and Reform Commission and China Banking and Insurance Regulatory Commission on the financing of property developers such as issuance of offshore bonds, trusts, etc., are subject to further scrutiny. Also, the regulatory policies on property market may further be fine-tuned with market conditions.

However, the Group expects that the property market will continue to develop steadily in the second half of the year, and the outlook of the markets of the second- and third-tier cities is stable. Under the principle of "houses are built for inhabitation, not for speculation", the demands for home purchase now are mainly for self-use purpose. The user demands and demands for property upgrade are stable. For the market of the third and fourth-tier cities, the demands for property upgrade continue to grow. Furthermore, the advancement of urbanization keeps on driving the population growth in cities and increasing the demand for urban housing. On the other hand, the market supply has been stabilized. The government has properly controlled the level of supply and demand of the property market. The effects of the regulatory measures for "stabilizing land prices, housing prices and market expectation" have become progressively visible.

Chairman's Statement *(continued)*

PROSPECTS *(continued)*

Real Estate Development *(continued)*

The cities in which the Group's property projects located are mainly distributed in urban agglomerations and metropolitan areas, and in some regional centres. The development of most of these cities has been progressing well and steadily. Thus, the Group is confident to maintain good business performance.

Group Strategy

The Group remains fully committed to achieve sustainable, stable and healthy growth with high quality in the property market in China.

Fully embraced the government's urbanization and long-term housing policy, the Group continues to focus on the emerging cities with the best investment value and high growth potentials. Product position remains principally at residential properties in the range of middle to high-end.

The Group fully believes that it is of paramount importance to build up and maintain a scaled high quality land bank at competitive costs for sustainable growth and maximizing shareholders' returns in long term. At appropriate and sustainable capital and debt structure, the Group continues to proactively seek for new development opportunities with investment value and good returns in an orderly manner.

The property market in China has become more fragmented in different cities in the period. The Group, sticks firmly to its prudent and cautious investment strategies, closely monitors the market and assesses land acquisition opportunities as well as the returns on investments in different regions for continuous expansion. The Group not only has replenished land in its well-performed cities, but also actively explores to penetrate into some new cities, mainly regional economic centres closed to metropolitan areas and with high growth potential, and districts where synergies can be achieved with the existing cities being operated.

PROSPECTS *(continued)*

Group Strategy *(continued)*

While open market land auction remains the major and most important source of land addition, the Group keeps on exploring diversified land acquisition channels in order to maintain a balanced land bank with reasonable investment returns. For right property projects, the Group will develop jointly with reliable business partners, i.e. reputable local property developers and trustworthy financial institutions, to broaden its earnings base and balance its risks.

Being a reputable property developer in the market, the Group strives to offer customers with good products and services and become the market leader in terms of customer satisfaction. Measures have been taken to improve the quality of products and services continuously, and enhance customer satisfaction and loyalty in order to accumulate loyal customers for sustainable development of the Group in the future.

The Group continues its product strategies of focusing on developing mainstream products with high-quality, green, healthy, wisdom and technology. At the same time, with increasing customer demands on high quality products, the Group also increases its efforts in product research and development to broaden its range of property products. In product development, the Group, adheres to the spirit of excellence in craftsmanship by conducting multi-dimensional research in the aspects of functions and living experiences. The design team establishes research and development workshops to build model houses in the layouts of mainstream residential products to study and evaluate each product details. Taking into account the characteristics of the cities its projects located, the Group integrates the architectural aesthetics of the East with the West to build its property products with professionalism. The Group will continue to develop and introduce new products, not only to meet the needs of its customers, but also to exceed their expectations in different areas in order to lead the market and safeguard the Group's profitability.

In the wake of ever-changing market environment, the Group is devoted to improve the inventory turnover rate. Innovative marketing strategies and sales program will continue to be adopted by the Group to catch the latest market trend while project development cycle will be reviewed regularly and optimized to match property sales rhythm.

PROSPECTS *(continued)*

Group Strategy *(continued)*

Facing the strong competition, the Group has not stopped improving its operating capability with the updated management systems. Built on the standardized operation systems, the Group continues examining and streamlining its operating processes, reinforcing its internal controls, tightening its cost controls and strengthening its risk management system to improve efficiency and effectiveness. In response to the fast-changing business and regulatory requirements, continual investments have been made to enhance management systems and excel project management process. The Group endeavors to extend its competitive edge and earning capability.

Being a responsible corporation, the Group maintains professional and prudent financial management of the financial resources and will continue to enhance its financial management capability. Liquidity is critical to a capital intensive business. With financial market becoming more volatile nowadays, cashflow will be monitored closely while debt structure and profile will be reviewed regularly and will stay at a healthy level continuously. The Group will closely monitor the impacts from the external political and economic environment, volatility of exchange rate of Renminbi ("RMB"), and national policy changes to the business operations.

The Group regards talent capital amongst the essences to success and continuous development of its business. The Group will enhance the care services for staff as well as the training and development of diversified talents, establish an open and inclusive system for recruitment and provide a diversified and customized career path for all level of staff members working in different areas. In addition, the Group will continue to optimize its competitive remuneration package for staff to maintain a professional, dedicated and highly effective team.

APPRECIATION

I would like to take this opportunity to express my heartfelt thanks to my fellow directors and our committed staff for their dedication, hard work and contributions to the Group, and our shareholders, customers and business partners for their continued confidence and support.

Yan Jianguo

Chairman and Non-executive Director

Hong Kong, 21 August 2019

Management Discussion and Analysis

REVENUE AND OPERATING RESULTS

For the first half of the year, the contracted property sales of the Group and its associates and joint ventures reached HK\$28,626.0 million, increased by 0.6% against the same period last year, in which, HK\$393.2 million (the corresponding period in 2018: HK\$806.6 million) was contributed from associates and joint ventures. The development progress and the handover schedule of the property projects are on track. The Group's revenue for the six months ended 30 June 2019 reached HK\$12,794.6 million, increased by 14.4% against the corresponding period last year or increased by 21.5% after factoring in the effect of the 5.9% depreciation of RMB in the period. Furthermore, thanks to stable market environment and the profit recognition of certain projects with higher gross profit margin during the period, gross profit for the period was HK\$4,484.6 million, 62.0% higher than the same period last year while the overall gross profit margin of the Group for the period increased by 10.4% to 35.1%.

In terms of expenses, distribution and selling expenses for the period increased by HK\$113.0 million against the same period last year to HK\$456.3 million. The ratio of distribution and selling expenses to the Group's contracted property sales still maintained at the low level of 1.6%. In addition, as the operating scale has been expanding gradually, administrative expenses for the period increased by HK\$87.7 million against the same period last year to HK\$400.1 million. The ratio of the administrative expenses to revenue increased to 3.1% from 2.8% compared with the last corresponding period. The Group continued to exercise stringent controls over the overhead costs.

Same as the last corresponding period, no fair value adjustment was recognized in respect of the investment properties in the period. Sales of China Overseas Building located in Jilin, in form of sub-units, continued and the units were handover to the buyers gradually during the period. As such, the Group recognized a profit before taxation of HK\$2.7 million (the corresponding period in 2018: HK\$0.7 million) from the disposal.

The Group's interest rate swap contract, due in January 2020, with notional amount of US\$40.0 million (swap the interest rate from floating basis of 3-month London Interbank Offered Rate plus 1.515% to fixed rate at 3.2% per annum) recognized a fair value loss of a derivative financial instrument of HK\$2.2 million (the corresponding period in 2018: a fair value gain of HK\$3.4 million) in the income statement for the period.

Driven by a rise in gross profit, operating profit amounted to HK\$3,834.9 million for the current period under review, an increase of 68.5% comparing with the same period last year.

REVENUE AND OPERATING RESULTS *(continued)*

Total interest expenses for the period increased by HK\$70.4 million to HK\$684.0 million from HK\$613.6 million of last corresponding period, mainly driven by the rise in the overall borrowing rate and the increase in borrowing balances. Finance costs slightly increased to HK\$18.8 million from HK\$17.2 million of last corresponding period, after capitalization of HK\$665.2 million to the on-going development projects.

In the first half of the year, share of profit of joint ventures amounted to HK\$311.3 million (the corresponding period in 2018: HK\$111.8 million), which was mainly derived from the recognition of profit from the property projects located in Shantou.

Income tax expenses comprised enterprise income tax and land appreciation tax. The income tax expenses increased by HK\$947.7 million to HK\$2,241.0 million, as compared with the same period last year, mainly due to rise in operating profit as driven by the improvement in the average gross profit margin of the projects. The effective tax rate was at similar level as last corresponding period.

For the half year ended 30 June 2019, profit attributable to owners of the Company amounted to HK\$1,831.6 million (the corresponding period in 2018: HK\$1,014.2 million), an increase of 80.6% against last corresponding period.

LAND BANK

With its prudent expansion strategy, the Group kept on closely monitoring the market situation and searched for suitable land pieces for development. In the first half year, the Group continued to extend its business to Quanzhou, Fujian province. Taking into account the land replenished in the other nine cities of Guilin, Shaoxing, Changzhou, Xuzhou, Lanzhou, Jilin, Hohhot, Nanning and Hefei, the Group bagged a total of fourteen parcels of land with a total gross floor area of about 3,563,000 sq.m. (attributable to the Group: 3,091,400 sq.m.) for a total consideration of approximately RMB15,641.7 million. As at 30 June 2019, the gross floor area of total land bank of the Group and its joint ventures in China reached 23,863,100 sq.m., of which, 68,200 sq.m. is held by joint ventures. The gross floor area of land bank attributable to the Group (including the interests in joint ventures) is 22,015,900 sq.m.. The Group held a land bank distributed among 25 cities as at 30 June 2019.

LAND BANK *(continued)*

In July 2019, the Group further entered into the property market of Qingyuan City, Guangdong Province by acquiring a land piece. Under the current property market conditions, the Group, sticks firmly to its principle of prudent investment, continues to explore to penetrate into new cities in a proactive way, and also monitors the development opportunities in the cities with presence.

As announced on 29 May 2019, the Group agreed to acquire a wholly owned subsidiary of China Overseas Holdings Limited for its property portfolio. The acquisition was completed in August 2019 and will enable the Group to extend its property development business to Weinan, Shaanxi Province.

SEGMENT INFORMATION

Property Sales and Development

The Group continuously targets at boosting sales and improving the sales-through rate. During the six months ended 30 June 2019, contracted property sales of the Group and its associates and joint ventures amounted to HK\$28,626.0 million, representing an increase of 0.6% against the same period last year. The contracted area sold was 2,374,100 sq.m., representing an increase of 4.9% against the same period last year. Of the contracted property sales, HK\$393.2 million for an aggregated contracted area of 32,300 sq.m. (the corresponding period in 2018: contracted property sales amounted HK\$806.6 million for contracted area of 39,800 sq.m.) was contributed from associates and joint ventures. Besides, as at 30 June 2019, the balance of preliminary sales pending the completion of sales and purchase agreements was HK\$1,282.0 million (30 June 2018: HK\$607.0 million) for an aggregated contracted area of 82,200 sq.m. (30 June 2018: 38,800 sq.m.).

Management Discussion and Analysis *(continued)*

SEGMENT INFORMATION *(continued)*

Property Sales and Development *(continued)*

Contracted property sales from major projects during the half year ended 30 June 2019:

City	Name of project	Contracted area (sq.m.)	Amount (HK\$ Million)
Ganzhou	The Cullinan/One Riverside Park/ The Riverside	148,699	2,334.4
Jilin	International Community/ Overlooking River Mansion#/ The New Metropolis#	249,078	2,287.0
Yinchuan	International Community/ Mansion Yue#	248,106	1,996.3
Nanning	International Community	177,795	1,977.2
Yangzhou	Grand Polis/Eternal Treasure/ Glory Manor	142,895	1,959.5
Xining	Glorioushire	176,246	1,873.1
Weifang	Da Guan Tian Xia	170,756	1,758.0
Baotou	Glorioushire	201,242	1,746.6
Xuzhou	Treasure Mansion/ Patrimonial Mansion	120,993	1,567.2
Nantong	Times Metropolis/Central Mansion	58,349	1,403.7
Yancheng	Glory Mansion	80,933	1,354.5
Changzhou	Platinum Mansion	57,587	1,178.2
Huizhou	Harbour City/The Rosary/ Triumph Town	86,747	1,086.3

Construction work of these projects commenced during the period

During the period, gross floor area of 1,400,100 sq.m. of the Group and its joint ventures' construction sites were completed for occupation and of which, about 98% were sold out by period end. Coupled with stock sales, recognized revenue of the Group was HK\$12,622.5 million (the corresponding period in 2018: HK\$11,033.6 million), an increase of 14.4% comparing with the same period last year. The recognized revenue, denominated in RMB, increased by 21.6% compared with the last corresponding period. The revenue for the current period was mainly recognized from the sales of high-rise residential projects. Nevertheless, profit from certain projects with higher gross profit margin was recognized during the period and as a result, the gross profit margin of property sales rose to 34.6% from 24.2% of the last corresponding period.

Management Discussion and Analysis *(continued)*

SEGMENT INFORMATION *(continued)*

Property Sales and Development *(continued)*

Currently, the Group develops two projects in Hefei and Shantou respectively through joint ventures. The project development progress is satisfactory and certain units were delivered during the period. In addition, certain inventories of properties are also held by associates, which have been selling continuously. During the period, the net profit from the property sales business of the joint ventures and associates was HK\$311.0 million (the corresponding period in 2018: HK\$112.0 million).

The segment result reached HK\$4,094.8 million (the corresponding period in 2018: HK\$2,335.3 million) for the period.

Recognized revenue from major projects during the half year ended 30 June 2019:

City	Name of project	Contracted	
		area (sq.m.)	Amount (HK\$ Million)
Huizhou	Harbour City/Triumph Town	190,073	2,600.2
Nantong	The Aqua/Central Mansion/ Times Metropolis	104,026	1,379.5
Shantou	La Cite/Huating	139,926	1,271.1
Yancheng	The Glorious	86,575	1,194.2
Changzhou	The Phoenix	75,065	847.1
Nanning	International Community	68,034	773.3
Ganzhou	International Community	56,818	762.0
Weifang	Da Guan Tian Xia	69,603	724.9
Yangzhou	Glory Manor/Yangzhou Jinyuan	31,113	584.0
Jilin	International Community	39,251	424.6
Xuzhou	Coastal Palace	7,771	303.5

SEGMENT INFORMATION *(continued)*

Property Sales and Development *(continued)*

In addition to the projects commenced construction work during the period as mentioned above, the following projects had commenced the construction work in the period:

City	Name of project	Construction commenced
Huizhou	Riverview Mansion (previously named as "Huicheng District Project #2")	January 2019
Lanzhou	Platinum Pleased Mansion (previously named as "Qilihe District Project")	January 2019
Ganzhou	The Riverside (previously named as "Jingkai District Project")	April 2019
Nantong	Upper East (previously named as "Kaifa District Project")	April 2019
Yangzhou	Gorgeous Mansion (previously named as "Hanjiang District Project #2")	April 2019
Yangzhou	Upper East (previously named as "Hanjiang District Project #1")	April 2019
Hefei	Lakeville (previously named as "Baiyan Technology Park District Project")	May 2019
Changzhou	Hai Hua Garden	June 2019
Guilin	Patrimonial Mansion	June 2019
Hohhot	Saihan District Project	June 2019
Quanzhou	Glorious	June 2019

At 30 June 2019, the gross floor area of properties under construction and stock of completed properties of the Group and its associates and joint ventures amounted to 12,215,600 sq.m. and 874,600 sq.m. respectively, totaling 13,090,200 sq.m.. Properties with gross floor area of 6,785,200 sq.m. had been contracted for sales and were pending for completion of the transactions upon handover.

SEGMENT INFORMATION *(continued)*

Property Leasing

The leasing business remained stable in general. For the period ended 30 June 2019, rental income amounted to HK\$133.1 million (the corresponding period in 2018: HK\$125.9 million), a rise of 5.7% comparing with the same period last year, which was mainly driven by increase of average rental rate in the period. As described above, approximate 96% of the gross floor area of China Overseas Building located in Jilin was sold and handover cumulatively, in the form of sub-units. Profit contribution from a joint venture in the leasing business amounted to HK\$2.4 million (the corresponding period in 2018: HK\$2.9 million) for the period. In total, the segment profit increased by HK\$11.1 million to HK\$92.9 million from HK\$81.8 million of the same period last year.

At period end, the occupancy rates for China Overseas International Center in Xicheng District, Beijing and the scientific research office building in Zhang Jiang High-tech Zone in Shanghai were about 96% and 94% respectively. The Group fully owns the Beijing property while it owns 65% of the Shanghai project.

FINANCIAL RESOURCES AND LIQUIDITY

The Group has consistently adopted prudent financial management approach and its financial condition remained healthy. Currently, the Company and its subsidiaries have gained multiple accesses to funds from both investors and financial institutions in China and international market to meet its requirements for working capital, refinancing and project development.

As at 30 June 2019, net working capital amounted to HK\$42,467.0 million (31 December 2018: HK\$42,127.8 million), with a quick ratio of 0.6 (31 December 2018: 0.6).

During the six months ended 30 June 2019, the Group secured new credit facilities of approximately HK\$8,960.8 million from leading financial institutions. After taking into account drawdowns of HK\$6,676.8 million, repayment of loans of HK\$2,846.5 million and decrease of HK\$110.1 million due to translation of RMB loan during the period, total bank and other borrowings (exclude the guaranteed notes payable of HK\$3,927.1 million) increased by HK\$3,720.2 million to HK\$29,251.4 million as compared to the end of last year.

FINANCIAL RESOURCES AND LIQUIDITY *(continued)*

Of the total bank and other borrowings, RMB loan amounted to RMB15,868.6 million (equivalent to HK\$18,039.5 million) while the Hong Kong Dollar loan and US Dollar loan amounted to HK\$10,060.0 million and HK\$1,151.9 million respectively. As at period end, interests of borrowings amounted to HK\$1,406.3 million were charged at fixed rate from 3.4% to 3.8% while the remaining borrowings of HK\$27,845.1 million were charged at floating rates with a weighted average of 4.59% per annum. About 64.0% of bank and other borrowings is repayable beyond one year.

In addition, the Group's US\$400 million 5.125% guaranteed notes due in January were redeemed on mature date during the period. Thus, the total amortized cost payable of the guaranteed notes amounted to HK\$3,927.1 million as at 30 June 2019.

Also, properties sales for the period met the expectation and sales deposits collection was satisfactory. Cash and bank balances plus restricted cash and deposits were at a total of HK\$27,340.2 million (31 December 2018: HK\$33,264.2 million), decreased by HK\$5,924.0 million compared with the last financial year end. Of which, 99.8% is denominated in RMB while the remaining are in Hong Kong Dollar and US Dollar.

Along with the continual growth of the business, the net gearing ratio, expressed as a percentage of net debts (i.e. total borrowings, including the guaranteed notes payable aforesaid, net of cash and bank balances and restricted cash and deposits) to equity attributable to owners of the Company, was 28.2% as at 30 June 2019 (31 December 2018: net cash). The management believes that the Group can further expand its operation scale under such low net gearing ratio level and stay at a solid financial position.

Taking into consideration of the unutilized bank credit facilities available to the Group of HK\$10,491.3 million, the Group's total available funds (including restricted cash and deposits of HK\$7,696.8 million) reached HK\$37,831.5 million as at 30 June 2019.

In terms of capital management, the Group implements centralized financing and treasury policies to ensure efficient fund utilization. The operational and financial position of the Group remains healthy. The Group would ensure continual fulfillment of the financial covenants as agreed with different financial institutions and sufficient resources to satisfy its commitment and working capital needs.

Management Discussion and Analysis *(continued)*

FINANCIAL RESOURCES AND LIQUIDITY *(continued)*

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

The Group regularly re-evaluates its operational and investment status, monitors the financial market and explores opportunities to enter into appropriate long-term financing to improve its capital structure continuously. The Group would maintain its healthy cash flow and minimize its financial risks.

FOREIGN EXCHANGE EXPOSURE

As the Group conducted its sales, receivables and payables, expenditures and part of the borrowings in RMB for its property development business in China, the management considered a natural hedge mechanism existed in that operations. As at 30 June 2019, about 54.4% and 45.6% (31 December 2018: 46.9% and 53.1%) of the Group's total borrowings (including the guaranteed notes) were denominated in RMB and Hong Kong Dollar/US Dollar respectively. Hence, taking into account of the debt financing structure, the Group is subject to foreign exchange risk from the volatility of RMB exchange rate.

The exchange rate of RMB to Hong Kong Dollar depreciated around 0.4% in the period and accordingly, the net asset value of the Group decreased by HK\$183.4 million which arose from currency translation.

The Group continued to enhance its risk management on foreign currency. After balancing the finance cost and risks, the management optimized the proportion of different currencies in its loan portfolio, in response to changes in market environment. The Group continues to closely monitor the volatility of the RMB exchange rate and, if necessary, will further fine-tune the ratio of RMB and Hong Kong Dollar/US Dollar debt to minimize the foreign exchange risk.

COMMITMENTS AND GUARANTEE

As at 30 June 2019, the Group had commitments totaling HK\$21,698.2 million which related mainly to land premium, property development and construction works. In addition, the Group issued guarantees to banks amounting to HK\$33,393.5 million (equivalent to RMB29,375.0 million) in aggregate, for facilitating end-user mortgages in connection with its property sales in China as a usual commercial practice and credit facilities granted to a joint venture.

CAPITAL EXPENDITURE AND CHARGES ON ASSETS

The Group had capital expenditures totaling HK\$35.7 million approximately during the current period, mainly referred to additions in hotel construction in progress.

On the other hand, as at 30 June 2019, certain property assets in China with aggregate carrying value of HK\$474.3 million were pledged to obtain HK\$85.8 million (equivalent to RMB75.5 million) of secured borrowings from certain banks in China for the projects.

EMPLOYEES

As at 30 June 2019, the Group has 2,539 employees (31 December 2018: 2,156). The total staff costs incurred for the period was approximately HK\$391.3 million (the corresponding period in 2018: HK\$313.1 million). The pay levels of these employees are commensurate with their responsibilities, performance and the prevailing market condition. Discretionary bonus was paid to employees based on individual performance. Different trainings and development opportunities continued to be offered to enhance employees' capabilities.

Condensed Consolidated Income Statement

The unaudited condensed consolidated results of the Group for the six months ended 30 June 2019 and the comparative figures for the corresponding period in 2018 are as follows:

	Notes	Six months ended 30 June	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Revenue	4	12,794,617	11,188,533
Cost of sales and services provided		(8,310,037)	(8,420,289)
Gross profit		4,484,580	2,768,244
Other income	6	209,539	165,482
Distribution and selling expenses		(456,337)	(343,380)
Administrative expenses		(400,143)	(312,452)
Other operating expenses		(3,196)	(6,135)
Other gains or losses			
Gain on disposal of investment properties		2,661	711
Change in fair value of a derivative financial instrument	17	(2,233)	3,407
Operating profit		3,834,871	2,275,877
Finance costs	7	(18,800)	(17,180)
Share of results of associates		2,098	3,050
Share of results of joint ventures		311,277	111,811
Profit before income tax	8	4,129,446	2,373,558
Income tax expense	9	(2,241,049)	(1,293,324)
Profit for the period		1,888,397	1,080,234
Profit for the period attributable to:			
Owners of the Company		1,831,557	1,014,212
Non-controlling interests		56,840	66,022
		1,888,397	1,080,234
		HK Cents	HK Cents
Earnings per share	11		
Basic		53.5	31.5
Diluted		53.5	31.5

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Profit for the period	1,888,397	1,080,234
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of overseas operations		
– subsidiaries	(175,032)	(342,412)
– associates	(143)	4,245
– joint ventures	(8,211)	(7,904)
Other comprehensive income for the period, net of tax	(183,386)	(346,071)
Total comprehensive income for the period	1,705,011	734,163
Total comprehensive income attributable to:		
Owners of the Company	1,653,294	675,392
Non-controlling interests	51,717	58,771
	1,705,011	734,163

Condensed Consolidated Statement of Financial Position

		30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
	Notes		
Assets and liabilities			
Non-current assets			
Investment properties		2,643,357	2,667,576
Property, plant and equipment	12	1,174,512	1,164,785
Right-of-use assets	3.1	344,116	–
Prepaid lease rental on land	3.1	–	301,287
Intangible assets		1,102	3,319
Interests in associates		28,938	26,983
Interests in joint ventures		1,000,505	697,439
Financial assets at fair value through other comprehensive income		1,137	1,141
A derivative financial instrument	17	2,234	4,467
Deferred tax assets		182,766	184,150
		5,378,667	5,051,147
Current assets			
Inventories of properties		76,904,133	67,682,662
Other inventories		1,769	1,861
Contract assets		22,181	15,986
Trade and other receivables, prepayments and deposits	13	15,687,441	10,151,731
Prepaid lease rental on land	3.1	–	9,122
Amount due from an associate		67,883	68,108
Amount due from a joint venture		289,884	291,032
Amounts due from non-controlling interests		557,390	465,936
Tax prepaid		2,173,763	1,267,506
Restricted cash and deposits		7,696,824	7,902,629
Cash and bank balances		19,643,400	25,361,554
		123,044,668	113,218,127

Condensed Consolidated Statement of Financial Position *(continued)*

		30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
	Notes		
Current liabilities			
Trade and other payables	14	11,297,425	10,821,294
Contract liabilities		50,178,589	43,282,504
Amounts due to associates		46,776	26,631
Amounts due to joint ventures		1,325,377	1,345,871
Amounts due to non-controlling interests		2,636,102	2,333,114
Amounts due to related companies	16	344,864	346,229
Lease liabilities	3.1	11,647	–
Guaranteed notes payable	18	–	3,211,357
Taxation liabilities		4,219,504	3,463,225
Borrowings	15	10,517,386	6,260,146
		80,577,670	71,090,371
Net current assets		42,466,998	42,127,756
Total assets less current liabilities		47,845,665	47,178,903
Non-current liabilities			
Borrowings	15	18,733,975	19,271,087
Lease liabilities	3.1	27,408	–
Guaranteed notes payable	18	3,927,093	3,924,376
Amount due to a related company	16	85,290	85,627
Deferred tax liabilities		3,423,192	3,619,231
		26,196,958	26,900,321
Net assets		21,648,707	20,278,582
Capital and reserves			
Share capital	19	6,751,682	6,751,682
Reserves		13,966,375	12,696,497
Equity attributable to owners of the Company		20,718,057	19,448,179
Non-controlling interests		930,650	830,403
Total equity		21,648,707	20,278,582

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share Capital	Translation reserve	Assets			Total			
			revaluation reserve	Statutory reserve	Retained profits				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 January 2018 as originally presented (Audited)	2,144,018	(373,279)	31,749	1,130,501	10,744,153	13,677,142	785,872	14,463,014	
Adjustment on initial adoption of HKFRS 15	-	16,177	-	-	432,704	448,881	17,476	466,357	
Restated balance as at 1 January 2018 (Audited)	2,144,018	(357,102)	31,749	1,130,501	11,176,857	14,126,023	803,348	14,929,371	
Net profit for the period	-	-	-	-	1,014,212	1,014,212	66,022	1,080,234	
Other comprehensive income for the period	-	(338,820)	-	-	-	(338,820)	(7,251)	(346,071)	
Total comprehensive income for the period	-	(338,820)	-	-	1,014,212	675,392	58,771	734,163	
Issue of shares by way of Rights Issue (note 19)	4,655,769	-	-	-	-	4,655,769	-	4,655,769	
Share issue expenses (note 19)	(48,105)	-	-	-	-	(48,105)	-	(48,105)	
Return of capital to non-controlling interests (note 23(b))	-	-	-	-	-	-	(73,685)	(73,685)	
Contributions from non-controlling interests	-	-	-	-	-	-	16,555	16,555	
2017 final dividend approved (note 10)	-	-	-	-	(102,701)	(102,701)	-	(102,701)	
Transactions with owners	4,607,664	-	-	-	(102,701)	4,504,963	(57,130)	4,447,833	
At 30 June 2018 (Unaudited)	6,751,682	(695,922)	31,749	1,130,501	12,088,368	19,306,378	804,989	20,111,367	
At 1 January 2019 (Unaudited)	6,751,682	(1,864,534)	31,749	1,283,357	13,245,925	19,448,179	830,403	20,278,582	
Net profit for the period	-	-	-	-	1,831,557	1,831,557	56,840	1,888,397	
Other comprehensive income for the period	-	(178,263)	-	-	-	(178,263)	(5,123)	(183,386)	
Total comprehensive income for the period	-	(178,263)	-	-	1,831,557	1,653,294	51,717	1,705,011	
Contributions from non-controlling interests	-	-	-	-	-	-	48,530	48,530	
2018 final dividend approved (note 10)	-	-	-	-	(383,416)	(383,416)	-	(383,416)	
Transactions with owners	-	-	-	-	(383,416)	(383,416)	48,530	(334,886)	
At 30 June 2019 (Unaudited)	6,751,682	(2,042,797)	31,749	1,283,357	14,694,066	20,718,057	930,650	21,648,707	

Condensed Consolidated Statement of Cash Flows

		Six months ended 30 June	
	Notes	2019 (Unaudited) HK\$'000	2018# (Unaudited) HK\$'000
Net cash (used in)/from operating activities		(6,108,934)	79,783
Investing activities			
Interest received		244,951	147,764
Purchase of property, plant and equipment	12	(35,677)	(54,767)
Increase in amounts due from an associate		(44)	(1,230)
Increase in amounts due from non-controlling interests		(94,957)	(130,724)
Proceeds from disposal of property, plant and equipment		577	-
Proceeds from disposal of investment properties		16,606	29,210
Decrease/(Increase) in short-term time deposits with maturity beyond three months but within one year		3,008,909	(3,613,075)
Net cash generated from/(used in) investing activities		3,140,365	(3,622,822)
Financing activities			
New borrowings		6,676,829	5,917,980
Repayment of borrowings		(2,846,535)	(4,726,493)
Net proceeds from issue of guaranteed notes	18	-	3,904,715
Redemption of guaranteed notes	18	(3,140,000)	-
Share issue expenses	19	-	(48,105)
Proceeds from rights issue	19	-	4,655,769
Principal elements of lease payments		(5,777)	-
Finance costs paid		(750,738)	(593,748)
Advances from non-controlling interests		1,319,279	2,281,715
Repayments to non-controlling interests		(1,003,425)	(36,888)
Advances from associates		20,675	-
Repayments to associates		(63)	(6,538)
Advance from joint ventures		-	94,064
Repayments to joint ventures		(15,459)	(55,813)
Repayments to related companies		-	(4,179,634)
Contributions from non-controlling interests		48,530	16,555
Net cash generated from financing activities		303,316	7,223,579
Net (decrease)/increase in cash and cash equivalents		(2,665,253)	3,680,540
Cash and cash equivalents at the beginning of period*		21,752,013	15,536,625
Effect of foreign exchange rate changes on cash and cash equivalents		(41,549)	(202,586)
Cash and cash equivalents at the end of period		19,045,211	19,014,579
Analysis of balances of cash and cash equivalents:			
Cash and bank balances as stated in the condensed consolidated statement of financial position		19,643,400	23,234,579
Less: Short-term time deposits with maturity beyond three months but within one year		(598,189)	(4,220,000)
Cash and cash equivalents at the end of period		19,045,211	19,014,579

* Cash and bank balances as stated in the condensed consolidated statement of financial position as at 31 December 2018 included short-term time deposits with maturity beyond three months but within one year in amount of HK\$3,609,541,000.

Certain comparative figures have been reclassified to conform with the current period's presentation.

Notes to the Condensed Financial Statements

1. GENERAL INFORMATION

China Overseas Grand Oceans Group Limited (the “Company”) is a limited liability company incorporated in the Hong Kong Special Administrative Region (“Hong Kong”), the People’s Republic of China (the “PRC”) and its shares are listed on the Stock Exchange. The address of the Company’s registered office and principal place of business is Suites 701-702, 7/F., Three Pacific Place, 1 Queen’s Road East, Hong Kong.

The principal activities of the Group mainly comprise property investment and development, property leasing and investment holding. The Group’s business activities are principally carried out in certain regions in the PRC such as Baotou, Ganzhou, Jilin, Nanning, Weifang, Xining, Yangzhou and Yinchuan.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2019 (the “Interim Financial Statements”) have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). The Interim Financial Statements do not include all of the information required for annual financial statements and thereby they should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2018.

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

The financial information relating to the year ended 31 December 2018 that is included in this half-year interim report 2019 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

1. GENERAL INFORMATION *(continued)*

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Companies Ordinance.

The Interim Financial Statements are unaudited, but have been reviewed by the Audit Committee of the Company. The Interim Financial Statements were approved for issue on 21 August 2019.

2. PRINCIPAL ACCOUNTING POLICIES

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

Income tax

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

Save as described in above and note 3 "Adoption of new or revised Hong Kong Financial Reporting Standards ("HKFRSs")", the accounting policies used in preparing the Interim Financial Statements are consistent with those of the annual financial statements for the year ended 31 December 2018, as described in those annual financial statements.

3. ADOPTION OF NEW OR REVISED HKFRSs

3.1 Adoption of new or revised HKFRSs – effective 1 January 2019

The HKICPA has issued the following new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatment
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3 Business Combinations, HKFRS 11 Joint Arrangements, HKAS 12 Income Taxes and HKAS 23 Borrowing costs

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

3.1 Adoption of new or revised HKFRSs – effective 1 January 2019

(continued)

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases and related interpretations. It introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognize depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the Group's incremental borrowing rate. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

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

3.1 Adoption of new or revised HKFRSs – effective 1 January 2019

(continued)

HKFRS 16 Leases *(continued)*

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group applies the practical expedient to determine the definition of a lease on transition. This means that it will apply HKFRS 16 to contracts that were previously identified as leases under HKAS 17 and related interpretations. Also, the Group has transitioned to HKFRS 16 in accordance with the modified retrospective approach and, therefore, the information presented for 2018 has not been restated.

Upon the initial application of HKFRS 16 as of 1 January 2019, prepaid lease payment in respect of the land use right in the PRC is reclassified from prepaid lease rental on land to right-of-use assets. Besides, the Group's right-of-use assets also represent its right to use certain office premises, quarters and shopping mall operating right under operating lease arrangements, which are previously accounted for as operating lease.

The right-of-use asset for property lease was measured at the amount equal to the lease liability, adjusted by the amount of any prepayments relating to that lease recognized in the consolidated statement of financial position as at 31 December 2018.

The reconciliation of operating lease commitment to lease liabilities is set out below:

	HK\$'000
Operating lease commitment at 31 December 2018 (Audited)	55,716
Lease of short-term and low value assets (Unaudited)	(5,630)
Gross lease liabilities at 1 January 2019 (Unaudited)	50,086
Discounting (Unaudited) (note)	(5,169)
Lease liabilities at 1 January 2019 (Unaudited)	44,917

Note: The lease liabilities were discounted at 3.06%, the weighted average incremental borrowing rate at 1 January 2019.

Notes to the Condensed Financial Statements *(continued)*

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

3.1 Adoption of new or revised HKFRSs – effective 1 January 2019

(continued)

HKFRS 16 Leases *(continued)*

The impact on the Group's financial position by the application of HKFRS 16 is as follows:

	31 December 2018 HK\$'000 (Audited)	HKFRS 16 Reclassification HK\$'000 (Unaudited)	HKFRS 16 Contract capitalization HK\$'000 (Unaudited)	1 January 2019 HK\$'000 (Unaudited)
Assets:				
Right-of-use assets	-	311,122	44,917	356,039
Prepaid lease rental on land (Non-current)	301,287	(301,287)	-	-
Trade and other receivables, prepayments and deposits	10,151,731	(713)	-	10,151,018
Prepaid lease rental on land (Current)	9,122	(9,122)	-	-
Liabilities:				
Lease liabilities (Current)	-	-	19,755	19,755
Lease liabilities (Non-current)	-	-	25,162	25,162

The movements in the right-of-use assets and lease liabilities during the period ended 30 June 2019 are as follows:

	Right-of-use assets HK\$'000 (Unaudited)	Lease liabilities HK\$'000 (Unaudited)
As at 1 January 2019	356,039	44,917
Depreciation charge (note 8)	(10,697)	-
Interest expense (note 7)	-	648
Payments	-	(6,425)
Translation adjustment	(1,226)	(85)
As at 30 June 2019	344,116	39,055
Analyzed for reporting purpose as:		
Current portion	-	11,647
Non-current portion	344,116	27,408
	344,116	39,055

Notes to the Condensed Financial Statements *(continued)*

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

3.2 New or revised HKFRSs that have been issued but not yet effective

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2019 and have not been early adopted by the Group:

Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
Amendments to HKFRS 3	Definition of Business 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 2020

² No mandatory effective date yet determined but available for adoption

The Group has not applied any new or revised standards that have been issued but are not yet effective for the current accounting period. Those new or revised HKFRSs that have been issued but are not yet effective are unlikely to have material impact on the Group's results and financial position upon application.

4. REVENUE

The principal activities of the Group are disclosed in note 1. Revenue from the Group's principal activities recognized during the period is as follows:

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Sales of properties	12,622,487	11,033,601
Property rental income	133,132	125,867
Hotel and other services income	38,998	29,065
Total revenue	12,794,617	11,188,533

5. SEGMENT INFORMATION

The operating segments are reported in a manner consistent with the way in which information is reported internally to the Group's most senior management for the purposes of resource allocation and assessment of segment performance. The Group has identified the following two reportable segments and other segment for its operating segments:

- | | | |
|-------------------------------------|---|--|
| Property investment and development | – | This segment constructs residential and commercial properties in the PRC. Part of the business is carried out through associates and joint ventures. |
| Property leasing | – | This segment holds commercial units located in the PRC for leasing to generate rental income and gain from appreciation in the properties' values in the long term. Part of the business is carried out through a joint venture. |
| Other segment | – | This segment engages in hotel operations and generates service fee income in relation to hotel operation and other ancillary services. |

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

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

Segment liabilities include trade and other payables, accrued liabilities, amounts due to associates, joint ventures and non-controlling interests and other liabilities directly attributable to the business activities of the operating segments and exclude tax liabilities, corporate liabilities and liabilities such as borrowings, amounts due to related companies, lease liabilities and guaranteed notes payable that are managed on a group basis.

Notes to the Condensed Financial Statements *(continued)*

5. SEGMENT INFORMATION *(continued)*

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

	Property investment and development HK\$'000	Property leasing HK\$'000	Other segment HK\$'000	Consolidated HK\$'000
Six months ended 30 June 2019 (Unaudited)				
Revenue from contracts with customers				
disaggregated by timing of revenue recognition	12,622,487	-	38,998	12,661,485
- Goods transferred at a point in time	9,792,564	-	-	9,792,564
- Goods transferred over time	2,829,923	-	-	2,829,923
- Services transferred over time	-	-	38,998	38,998
Revenue from other sources: rental income	-	133,132	-	133,132
Reportable segment revenue	12,622,487	133,132	38,998	12,794,617
Reportable segment profit/(loss)	4,094,818	92,860	(8,564)	4,179,114
Corporate income				7,955
Change in fair value of a derivative financial instrument				(2,233)
Finance costs				(18,800)
Other corporate expenses				(36,590)
Profit before income tax				4,129,446
As at 30 June 2019 (Unaudited)				
Reportable segment assets	121,652,039	2,918,266	1,193,011	125,763,316
Tax assets				2,356,529
Corporate assets [^]				303,490
Total consolidated assets				128,423,335
As at 30 June 2019 (Unaudited)				
Reportable segment liabilities	64,898,104	109,379	14,129	65,021,612
Tax liabilities				7,642,696
Borrowings				29,251,361
Amounts due to related companies				430,154
Lease liabilities				39,055
Guaranteed notes payable				3,927,093
Other corporate liabilities				462,657
Total consolidated liabilities				106,774,628

Notes to the Condensed Financial Statements *(continued)*

5. SEGMENT INFORMATION *(continued)*

	Property investment and development HK\$'000	Property leasing HK\$'000	Other segment HK\$'000	Consolidated HK\$'000
Six months ended 30 June 2018 (Unaudited)				
Revenue from contracts with customers disaggregated by timing of revenue recognition	11,033,601	–	29,065	11,062,666
– Goods transferred at a point in time	9,033,310	–	–	9,033,310
– Goods transferred over time	2,000,291	–	–	2,000,291
– Services transferred over time	–	–	29,065	29,065
Revenue from other sources: rental income	–	125,867	–	125,867
Reportable segment revenue	11,033,601	125,867	29,065	11,188,533
Reportable segment profit/(loss)	2,335,282	81,750	(10,726)	2,406,306
Corporate income				8,644
Change in fair value of a derivative financial instrument				3,407
Finance costs				(17,180)
Other corporate expenses				(27,619)
Profit before income tax				2,373,558
As at 31 December 2018 (Audited)				
Reportable segment assets	109,114,549	2,948,726	1,175,670	113,238,945
Tax assets				1,451,656
Corporate assets [^]				3,578,673
Total consolidated assets				118,269,274
As at 31 December 2018 (Audited)				
Reportable segment liabilities	57,615,314	102,136	13,020	57,730,470
Tax liabilities				7,082,456
Borrowings				25,531,233
Amounts due to related companies				431,856
Guaranteed notes payable				7,135,733
Other corporate liabilities				78,944
Total consolidated liabilities				97,990,692

[^] Corporate assets as at 30 June 2019 mainly included property, plant and equipment, right-of-use assets and cash and bank balances of HK\$132,818,000, HK\$118,261,000 and HK\$47,495,000 respectively which were managed on a group basis.

Corporate assets as at 31 December 2018 mainly included property, plant and equipment, prepaid lease rental on land, trade and other receivables, prepayments and deposits and cash and bank balances of HK\$138,542,000, HK\$113,755,000, HK\$59,333,000 and HK\$3,262,575,000 respectively which were managed on a group basis.

Notes to the Condensed Financial Statements *(continued)*

6. OTHER INCOME

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Total interest income on financial assets measured at amortized cost		
Bank deposits and others (note)	189,179	154,851
Sundry income	20,360	10,631
	209,539	165,482

Note: For the six months ended 30 June 2019, the amounts included interest income on amount due from a joint venture of HK\$7,353,000. For the six months ended 30 June 2018, the amounts included interest income on amount due from a joint venture and amounts due from non-controlling interests of HK\$7,814,000 and HK\$41,433,000 respectively.

7. FINANCE COSTS

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Interests on borrowings, guaranteed notes payable and others (note)	682,061	565,391
Interests on amounts due to related companies	1,945	48,245
Total interest expense on financial liabilities measured at amortized cost	684,006	613,636
Less: Amount capitalized	(665,206)	(596,456)
	18,800	17,180

Note: For the six months ended 30 June 2019, the amounts included interests on amounts due to non-controlling interests and lease liabilities of HK\$1,908,000 and HK\$648,000 respectively. For the six months ended 30 June 2018, no interests on amounts due to non-controlling interests and lease liabilities.

Notes to the Condensed Financial Statements *(continued)*

8. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Profit before income tax is arrived at after charging/(crediting):		
Amortization:		
Prepaid lease rental on land	–	4,914
Intangible assets #	2,243	2,384
Depreciation:		
Property, plant and equipment	20,935	21,099
Right-of-use assets	10,697	–
Total amortization and depreciation	33,875	28,397
(Gain) on disposal of property, plant and equipment	(414)	–
Staff costs	319,279	313,057
Net foreign exchange (gain)/loss*	(1,529)	6,101

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

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

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Current tax for the period		
Other regions of the PRC		
– Enterprise income tax ("EIT")	946,321	591,634
– Land appreciation tax ("LAT")	1,473,431	821,868
	2,419,752	1,413,502
Under provision in prior years		
Other regions of the PRC	5,642	–
Deferred tax	(184,345)	(120,178)
	2,241,049	1,293,324

No Hong Kong profits tax has been provided as the Group did not derive any estimated assessable profits in Hong Kong for the current period and the same period last year.

EIT arising from other regions of the PRC is calculated at 25% (six months ended 30 June 2018: 25%) on the estimated assessable profits.

PRC LAT is levied at progressive rates from 30% to 60% (six months ended 30 June 2018: 30% to 60%) on the estimated appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights and development and construction expenditure.

10. DIVIDENDS

The Board has declared that an interim dividend of HK\$0.06 (six months ended 30 June 2018: HK\$0.03) per share, amounting to HK\$205,402,000 (six months ended 30 June 2018: HK\$102,701,000), will be paid to the shareholders of the Company whose names appear in the Register of Members on 20 September 2019.

At the reporting date, a dividend of HK\$0.112 per share, amounting to HK\$383,416,000 was recognized as a liability (note 14) as the final dividend for the financial year ended 31 December 2018. At 30 June 2018, a dividend of HK\$0.03 per share, amounting to HK\$102,701,000 was recognized as a liability as the final dividend for the financial year ended 31 December 2017.

11. EARNINGS PER SHARE

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

Earnings

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Profit for the period attributable to owners of the Company	1,831,557	1,014,212

Weighted average number of ordinary shares

	Six months ended 30 June	
	2019 (Unaudited) '000	2018 (Unaudited) '000
Weighted average number of ordinary shares in issue during the period	3,423,360	3,219,675

The weighted average number of ordinary shares used for the purposes of calculating the basic earnings per share represents the weighted average number of ordinary shares in issue in the respective period, after taking into account of the bonus element in the Rights Issue which was completed on 5 February 2018 as set out in note 19.

Diluted earnings per share were the same as the basic earnings per share for the six months ended 30 June 2019 and 2018 as there were no dilutive potential ordinary shares in existence during both periods.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group incurred capital expenditure of approximately HK\$32,951,000 (six months ended 30 June 2018: HK\$51,275,000) to additions in hotel construction in progress, approximately HK\$2,647,000 (six months ended 30 June 2018: HK\$3,440,000) in furniture, fixtures and office equipment, approximately HK\$52,000 (six months ended 30 June 2018: HK\$52,000) in motor vehicles and approximately HK\$27,000 (six months ended 30 June 2018: nil) in leasehold improvement.

13. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Trade receivables	16,965	74,083
Less: Loss allowance for impairment of trade receivables	-	-
Trade receivables, net (note (a))	16,965	74,083
Other receivables	2,899,891	2,533,715
Prepayments and deposits	12,777,406	7,550,781
Less: Loss allowance for impairment of other receivables (note (b))	(6,821)	(6,848)
	15,687,441	10,151,731

Notes to the Condensed Financial Statements *(continued)*

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

Notes:

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

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
30 days or below	2,566	71,363
31 – 60 days	16	62
61 – 90 days	9	81
91 – 180 days	871	1,361
181 – 360 days	12,280	122
Over 360 days	1,223	1,094
	16,965	74,083

The credit terms in connection with sales of properties granted to the buyers are set out in the sale and purchase agreements and vary for different agreements. Rentals receivable from tenants and service income receivable from customers are generally due on presentation of invoices.

As at 30 June 2019, no material provision was made against the gross amount of trade receivables, other receivables and contract assets.

At the end of each reporting period, management reviews receivables for evidence of impairment on both an individual and collective basis. Trade receivables which are neither past due nor impaired at the end of the reporting period relate to a large number of unrelated customers who did not have a recent history of default. Accordingly, no impairment provision is necessary in respect of these receivables.

- (b) The movements in the loss allowance for other receivables during the period/year are as follows:

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Carrying amount at the beginning of the period/year	6,848	7,178
Translation adjustment	(27)	(330)
Carrying amount at the end of the period/year	6,821	6,848

Notes to the Condensed Financial Statements *(continued)*

14. TRADE AND OTHER PAYABLES

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Trade payables	9,123,605	9,162,955
Other payables and accruals	1,543,732	1,418,405
Dividend payables (note 10)	383,416	–
Deposits received	246,672	239,934
	11,297,425	10,821,294

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

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
30 days or below	3,342,687	2,771,902
31 – 60 days	181,759	325,291
61 – 90 days	237,180	356,028
91 – 180 days	841,033	866,930
181 – 360 days	1,718,004	1,503,213
Over 360 days	2,802,942	3,339,591
	9,123,605	9,162,955

Notes to the Condensed Financial Statements *(continued)*

15. BORROWINGS

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Current liabilities		
Bank borrowings	9,607,946	4,776,456
Other loans	909,440	1,483,690
	10,517,386	6,260,146
Non-current liabilities		
Bank borrowings	18,165,575	19,271,087
Other loans	568,400	–
	18,733,975	19,271,087
	29,251,361	25,531,233
	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Analysis into:		
Bank borrowings		
Secured (note 20)	85,836	103,295
Unsecured	27,687,685	23,944,248
	27,773,521	24,047,543
Other loans		
Unsecured	1,477,840	1,483,690
	29,251,361	25,531,233

As at 30 June 2019, borrowing amounting to HK\$5,123,000 (31 December 2018: HK\$16,556,000) was guaranteed by a subsidiary of China Overseas Land & Investment Limited ("COLI").

Notes to the Condensed Financial Statements *(continued)*

15. BORROWINGS *(continued)*

The current and non-current bank borrowings were scheduled for repayment as follows:

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
On demand or within one year	9,607,946	4,776,456
More than one year, but not exceeding two years	7,599,260	9,974,672
More than two years, but not exceeding five years	10,566,315	9,296,415
	27,773,521	24,047,543

The current and non-current other loans were scheduled for repayment as follows:

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
On demand or within one year	909,440	1,483,690
More than one year, but not exceeding two years	568,400	-
	1,477,840	1,483,690

As at 30 June 2019, borrowings amounting to HK\$27,845,043,000 (31 December 2018: HK\$23,337,665,000) have been arranged at annual floating rates from 3.66% to 5.23% (31 December 2018: 3.35% to 5.23%) while the remaining balance of HK\$1,406,318,000 (31 December 2018: HK\$2,193,568,000) have been arranged at annual fixed rates of 3.42% to 3.80% (31 December 2018: 3.42% to 3.80%).

Notes to the Condensed Financial Statements *(continued)*

15. BORROWINGS *(continued)*

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

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
HK\$	10,060,000	8,283,073
Renminbi ("RMB")	18,039,443	15,311,242
United States Dollars ("US\$")	1,151,918	1,936,918
	29,251,361	25,531,233

16. AMOUNTS DUE TO RELATED COMPANIES

Amounts due to related companies as at 30 June 2019 amounted to HK\$430,154,000 (31 December 2018: HK\$431,856,000) in aggregate. As at 30 June 2019 and 31 December 2018, the amounts are unsecured and denominated in RMB.

As at 30 June 2019, balances amounting to HK\$85,290,000 (31 December 2018: HK\$85,627,000) are interest-bearing at the People's Bank of China prevailing lending rate whereas the remaining balances are interest-free.

As at 30 June 2019, balances amounting to HK\$344,864,000 (31 December 2018: HK\$346,229,000) and HK\$85,290,000 (31 December 2018: HK\$85,627,000) are repayable on demand and on 18 October 2020 respectively.

17. A DERIVATIVE FINANCIAL INSTRUMENT

Interest rate swap

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

As at 30 June 2019, derivative financial instrument of HK\$2,234,000 (31 December 2018: HK\$4,467,000) was recognized in the condensed consolidated statement of financial position. During the six months ended 30 June 2019, fair value loss of a derivative financial instrument amounting to HK\$2,233,000 (six months ended 30 June 2018: fair value gain of HK\$3,407,000) was recognized in condensed consolidated income statement.

18. GUARANTEED NOTES PAYABLE

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Current liabilities		
Guaranteed notes payable	–	3,211,357
Non-current liabilities		
Guaranteed notes payable	3,927,093	3,924,376
	3,927,093	7,135,733

Notes to the Condensed Financial Statements *(continued)*

18. GUARANTEED NOTES PAYABLE *(continued)*

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

	HK\$'000
Carrying amount as at 1 January 2018 (Audited)	3,159,180
Net proceeds from issue of guaranteed notes payable (Audited) (note)	3,904,715
Imputed interest expense (Audited)	287,671
Finance costs paid (Audited)	(256,597)
Translation adjustment (Audited)	40,764
Carrying amount as at 31 December 2018 (Audited) and 1 January 2019 (Unaudited)	7,135,733
Imputed interest expense (Unaudited)	107,494
Finance costs paid (Unaudited)	(176,134)
Redemption of guaranteed notes (Unaudited)	(3,140,000)
Carrying amount as at 30 June 2019 (Unaudited)	3,927,093

Note: On 1 June 2018, China Overseas Grand Oceans Finance IV (Cayman) Limited, a wholly-owned subsidiary of the Company, issued US\$500,000,000 (equivalent to approximately HK\$3,925,000,000) of 4.875% fixed rate guaranteed notes (the "Notes"), which mature on 1 June 2021 at their principal amount. The issue price for the Notes is 99.917%. The effective interest rate of the Notes is 5.063% per annum. The Notes bear interest from 1 June 2018 to 1 June 2021 and are payable semi-annually in arrears on 1 June and 1 December of each year, commencing on 1 December 2018.

The Notes are unconditionally and irrevocably guaranteed by the Company. In the event of the occurrence of certain conditions set out and defined in the subscription agreement which include, inter alia, the acquisition of not less than 38.32% voting rights of the Company by third party, each noteholder will have the right to require the issuer to redeem all, or some, of such notes at their principal amount together with accrued interest.

The net proceeds from the issuance of the Notes at 99.917% of the principal amount after the direct transaction costs of HK\$17,027,000 is HK\$3,904,715,000.

19. SHARE CAPITAL

	Number of ordinary shares '000	HK\$'000
Issued and fully paid		
Balance at 1 January 2018 (Audited)	2,282,240	2,144,018
Rights issue (Audited) (note)	1,141,120	4,607,664
Balance at 31 December 2018 (Audited), 1 January 2019 (Unaudited) and 30 June 2019 (Unaudited)	3,423,360	6,751,682

Note: On 7 November 2017, the Board announced that the Company proposed to raise gross proceeds of approximately HK\$4,655.8 million by way of rights issue of approximately 1,141,120,000 rights shares on the basis of one rights share for every two existing shares of the Company at a subscription price of HK\$4.08 per rights share (the "Rights Issue").

The Rights Issue was completed on 5 February 2018. The gross proceeds from the Rights Issue was HK\$4,655,769,000 and after deducting direct transaction costs of HK\$48,105,000, net proceeds amounting to approximately HK\$4,607,664,000 were raised by the Company. The number of issued ordinary shares of the Company was increased to approximately 3,423,360,000 shares and the share capital of the Company was increased from HK\$2,144,018,000 to HK\$6,751,682,000.

Notes to the Condensed Financial Statements *(continued)*

20. PLEDGE OF ASSETS

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

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Pledge for borrowings and banking facilities of the Group		
Owners-occupied properties	246,288	251,223
Inventories of properties	228,042	228,945
	474,330	480,168

21. COMMITMENTS

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

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Contracted for but not provided for in the financial statements:		
– Acquisition of land	4,861,056	2,280,967
– Property development	13,605,263	10,356,621
Authorized but not contracted for:		
– Acquisition of land	3,231,884	2,294,046

22. CONTINGENT LIABILITIES

(a) Guarantees

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

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Guarantees given to:		
Banks and government agencies for mortgage loans granted to certain purchasers of the Group's properties	33,137,723	33,447,290
Bank in respect of the banking facilities granted to a joint venture	255,780	256,793

In the opinion of the directors, the financial impact arising from providing the above financial guarantees is insignificant and accordingly, they are not accounted for in these financial statements.

- (b) As disclosed in Note 45(b) to the 2018 financial statements, the construction work of certain land parcels in Zibo and Jiujiang, the PRC, owned by the Group's subsidiaries were behind the stipulated development timelines. As of the date of this report, the progress of the project development has not changed significantly since the end of last year.

22. CONTINGENT LIABILITIES *(continued)*

(b) *(continued)*

The directors estimated that the maximum amount of penalty and liquidated damages as at 30 June 2019 would not be more than approximately HK\$712 million (31 December 2018: HK\$649 million) in aggregate according to the relevant regulations and land transfer agreements. The carrying amount of the aforementioned lands is approximately HK\$3,189 million (31 December 2018: HK\$3,204 million) in aggregate as of 30 June 2019.

Notwithstanding the above, the directors, having regard to their past experience in handling similar matter and the successive negotiation of the Group with the local authorities in the period for the development plan of regions where these land parcels are situated, considered that the risk of confiscation of the concerned land parcels as well as penalty and liquidated damages is low. Having regard to the nature and latest development, the directors are of the opinion that no non-conformity instance would have material impact on the result and financial position of the Group.

23. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions:

- (a) During the six months ended 30 June 2018, the entire amounts of dividends from associates amounting to HK\$124,437,000 were debited to the amounts due to associates.

- (b) During the six months ended 30 June 2018, the entire amount of return of capital to non-controlling interests amounting to HK\$73,685,000 was credited to the amounts due from non-controlling interests.

24. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Nature of transactions		
COLI and its subsidiaries		
Royalty expenses	127,556	111,592
Rental income	8,488	9,020
Underwriting fee (note (i))	–	43,316
COPH (note (ii)) and its subsidiaries		
Property management fee expenses	35,861	18,659
CSCDH (note (iii)) and its subsidiaries		
Construction supervision expenses	10,377	–
CSC (note (iii)) and its subsidiaries		
Construction supervision expenses	–	14,823
PRC government departments/agencies		
Land use rights acquisitions	18,098,978	8,641,572
Key management (including directors)		
Remuneration	6,447	5,376

Notes:

- (i) In connection with the Rights Issue of the Company as further detailed in note 19, the Company entered into an underwriting agreement with COLI on 7 November 2017, pursuant to which COLI agreed to underwrite the rights shares of the Company and COLI is entitled to underwriting commission which is calculated at 1.5% of the aggregate subscription price in respect of the underwritten shares.
- (ii) China Overseas Property Holdings Limited ("COPH") is a fellow subsidiary of COLI.
- (iii) China Overseas Holdings Limited is the controlling shareholder of the Company, China State Construction International Holdings Limited ("CSC") and China State Construction Development Holdings Limited (formerly known as Far East Global Group Limited) ("CSCDH").

25. FAIR VALUE MEASUREMENT

(a) Financial instruments

The fair value of the derivative financial instrument and the financial assets at fair value through other comprehensive income as at 30 June 2019 are level 2 and level 3 recurring fair value measurements respectively and determined using the same approach as the last year end.

During the six months ended 30 June 2019, there were no transfers among level 1, level 2 and level 3 in the fair value hierarchy.

Financial instruments not measured at fair value include trade and other receivables, balances with associates, joint ventures, non-controlling interests and other related companies, bank balances including restricted cash and deposits, trade payables, other payables and accruals, borrowings and guaranteed notes payable.

Due to their short-term nature, the carrying values of trade and other receivables, balances with associates, joint ventures, non-controlling interests and other related companies, bank balances including restricted cash and deposits, trade payable, other payables and accruals, current borrowings and guaranteed notes payable approximate their fair values.

For disclosure purpose, the fair value of non-current balances with a related company, borrowings and guaranteed notes payable are not materially different from their carrying values. Those fair values have been determined using discounted cash flow models and are classified as level 3 in the fair value hierarchy. Significant inputs include the discount rates used to reflect the credit risks of the Group and the counterparties.

(b) Non-financial assets

The fair value of the investment properties as at 30 June 2019 is a level 3 recurring fair value measurement and determined using the same approach as the last year end. During the six months ended 30 June 2019, there were no transfers among level 1, level 2 and level 3 in the fair value hierarchy.

26. EVENTS AFTER THE REPORTING DATE

On 29 May 2019, the Board announced that 中海宏洋地產集團有限公司 (China Overseas Grand Oceans Property Group Company Limited*), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with 深圳中海新城鎮發展有限公司 (Shenzhen China Overseas New Town Development Limited*), a wholly-owned subsidiary of China Overseas Holdings Limited, in relation to the acquisition of the entire equity interests of 中海投資渭南有限公司 (China Overseas Investment Wei Nan Limited*)(the "Target Company") for an aggregate consideration of RMB490,000,000. The principal business of the Target Company and its subsidiaries is the development, sales, investment and management of properties in the PRC.

The abovementioned acquisition was completed on 15 August 2019. Upon completion, the Target Company became a wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Group.

* English or Chinese translation, as the case may be, is for identification only.

Others

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

After reviewing the working capital requirements for the Group's future expansion of its business, the board of directors of the Company (the "Board") declared the payment of an interim dividend of HK6 cents per share (2018: HK3 cents per share) for the six months ended 30 June 2019. The interim dividend will be payable in cash.

Relevant Dates for Interim Dividend Payment

Ex-dividend date	18 September 2019
Latest time to lodge transfer documents for registration with the Company's share registrar	At 4:30 p.m. on 19 September 2019
Closure of Register of Members	20 September 2019
Record date	20 September 2019
Despatch of dividend warrants	17 October 2019

In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar at Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than the aforementioned latest time.

SHARE CAPITAL

The Company's total number of shares in issue as at 30 June 2019 was 3,423,359,841 ordinary shares.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as the code of conduct for dealings in securities of the Company by the directors of the Company (the "Directors"). Having made specific inquiries to all Directors, they confirmed that they have complied with the Model Code throughout the six months ended 30 June 2019.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2019, the Directors and the chief executives of the Company had the following interests in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

Long Positions in Shares of the Company

Name of Directors	Capacity	Nature of interests	Number of ordinary shares held	Aggregate long position	Percentage of aggregate long position in shares to the total number of shares of the Company in issue (Note 1)
Mr. Zhang Guiqing	Beneficial owner	Personal	311,250	311,250	0.01%
Mr. Yung Kwok Kee, Billy	Beneficial owner Beneficiary of a trust (Note 2) Interest of controlled corporation (Note 3)	Personal Other Interest in controlled corporation	17,849,999 382,617,689 62,578,292	463,045,980	13.53%
Dr. Chung Shui Ming, Timpson	Beneficial owner	Personal	544,875	544,875	0.02%
Mr. Yang Lin	Beneficial owner Interest of spouse	Personal Family	2,550,000 346,125	2,896,125	0.08%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

(continued)

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

Notes:

1. *The percentage is based on the total number of shares of the Company in issue as at 30 June 2019 (i.e. 3,423,359,841 shares).*
2. *These shares are held by a trust for the benefit of Mr. Yung Kwok Kee, Billy and his family members.*
3. *These shares are held by Extra-Fund Investment Limited, a wholly-owned subsidiary of Shell Electric Holdings Limited, which in turn is owned as to 80.45% by Red Dynasty Investments Limited, a company wholly-owned by Mr. Yung Kwok Kee, Billy.*

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 Directors or chief executives of the Company or their spouses and children under the age of 18 in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein. None of the Directors and the chief executives of the Company (including their spouses and children under the age of 18) had, as at 30 June 2019, any interest in, or had been granted any right to subscribe for the shares, options and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2019, the following parties (other than the Directors or the chief executives 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 substantial shareholders	Capacity	Nature of interests	Number of ordinary shares held	Aggregate long position	Percentage of aggregate long position in shares to the total number of shares of the Company in issue (Note 1)
China State Construction Engineering Corporation ("CSCEC")	Interest of controlled corporation (Note 2)	Interest in controlled corporation	1,311,965,566	1,311,965,566	38.32%
Diamond Key Enterprises Inc. ("Diamond Key")	Beneficial owner (Note 3)	Beneficial	200,910,903	200,910,903	5.87%
On Fat Profits Corporation ("On Fat")	Beneficial owner (Note 3)	Beneficial	181,706,786	181,706,786	5.31%
UBS TC (Jersey) Ltd. ("UBS TC")	Trustees of trusts (Note 3)	Other	382,617,689	382,617,689	11.18%

Notes:

- The percentage is based on the total number of shares of the Company in issue as at 30 June 2019 (i.e. 3,423,359,841 shares).
- CSCEC is interested in 1,311,965,566 shares, of which 1,262,211,316 shares are held by Star Amuse Limited ("Star Amuse") and 49,754,250 shares are held by Chung Hoi Finance Limited ("Chung Hoi"). Star Amuse is a wholly-owned subsidiary of Big Crown Limited ("Big Crown"). Big Crown and Chung Hoi are wholly-owned subsidiaries of China Overseas Land & Investment Limited ("COLI") which in turn is a non-wholly owned subsidiary of China Overseas Holdings Limited ("COHL"). COHL is a subsidiary of China State Construction Engineering Corporation Limited which in turn is a non-wholly owned subsidiary of CSCEC.
- 382,617,689 shares held by UBS TC (including 200,910,903 shares and 181,706,786 shares held by Diamond Key and On Fat respectively) are disclosed in the section headed "Directors' and Chief Executives' Interests in Securities" above as being held under a trust with Mr. Yung Kwok Kee, Billy and his family members as the beneficiaries. None of the Directors are directors or employees of On Fat and Diamond Key.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES *(continued)*

Save as disclosed above, the Company had not been notified by any other person (other than the Directors or the chief executives of the Company) who had an interest in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30 June 2019.

CORPORATE GOVERNANCE

The Group strives to raise the standards of corporate governance and regards corporate governance as part of value creation. This reflects the commitment of the Board and senior management on abiding by the standards of corporate governance, as well as our commitment to maintain transparency and accountability to maximise the value of our shareholders as a whole.

Except for the deviation from code A.4.1 in Appendix 14 to the Listing Rules ("CG Code"), the Company has applied the corporate governance principles and complied with all the code provisions (where applicable, some of the recommended best practices) set out therein for the six months ended 30 June 2019.

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

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

On 23 January 2014, the Company entered into a trust deed in relation to the issuance of US\$400 million guaranteed notes due 2019 (the "Notes"). Under the trust deed, the holders of the Notes shall have the right, at their option, to require the Company to redeem all, or some only, of their Notes at their principal amount together with accrued interest following the occurrence of several events which include that COLI ceases to hold at least 30% of the voting rights of the number of shares of the Company in issue. Following the redemption at maturity of the Notes on 23 January 2019, the above-mentioned specific performance of COLI was no longer applicable to the Company.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

(continued)

The facility agreements/letter, which have been entered into by the Company in the following terms and conditions and continue to subsist at 30 June 2019 are set out below:

- (1) Date: 10 March 2017
 Amount: Loan facility up to HK\$600 million, which can be increased to HK\$1 billion in accordance with the facility agreement
 Term: 60 months commencing from the date of the facility agreement

- (2) Date: 15 March 2017
 Amount: Loan facility up to HK\$1.3 billion
 Term: 36 months commencing from the date of the facility agreement

- (3) Date: 14 December 2017
 Amount: Loan facility up to HK\$1 billion
 Term: 60 months commencing from the date of the facility letter

- (4) Date: 31 December 2018
 Amount: Loan facility up to HK\$1 billion
 Term: 60 months commencing from the date of the first drawdown

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

As at the date of this Interim Report, COLI owns approximately 38.32% of the total number of shares of the Company in issue.

CHANGES IN DIRECTORS' INFORMATION

Changes in Directors' information since the date of the 2018 annual report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Name of Directors	Details of changes
Dr. Chung Shui Ming, Timpson	— Ceased to be an independent non-executive director of China Construction Bank Corporation.
Mr. Lam Kin Fung, Jeffrey	— Appointed an independent non-executive director of Analogue Holdings Limited.

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

Save as disclosed below, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Group's listed securities during the period ended 30 June 2019 and up to the date of this Interim Report.

China Overseas Grand Oceans Finance II (Cayman) Limited, a wholly-owned subsidiary of the Company, redeemed the entire outstanding principal amount of US\$400 million of the Notes on the maturity date (i.e., 23 January 2019). The Notes were listed on the Stock Exchange prior to redemption.

REVIEW OF INTERIM REPORT BY AUDIT COMMITTEE

The Audit Committee of the Board has reviewed the Company's unaudited interim results for the six months ended 30 June 2019, and discussed with the Company's management regarding auditing, internal control and other important matters.

 **中國海外宏洋集團有限公司**
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